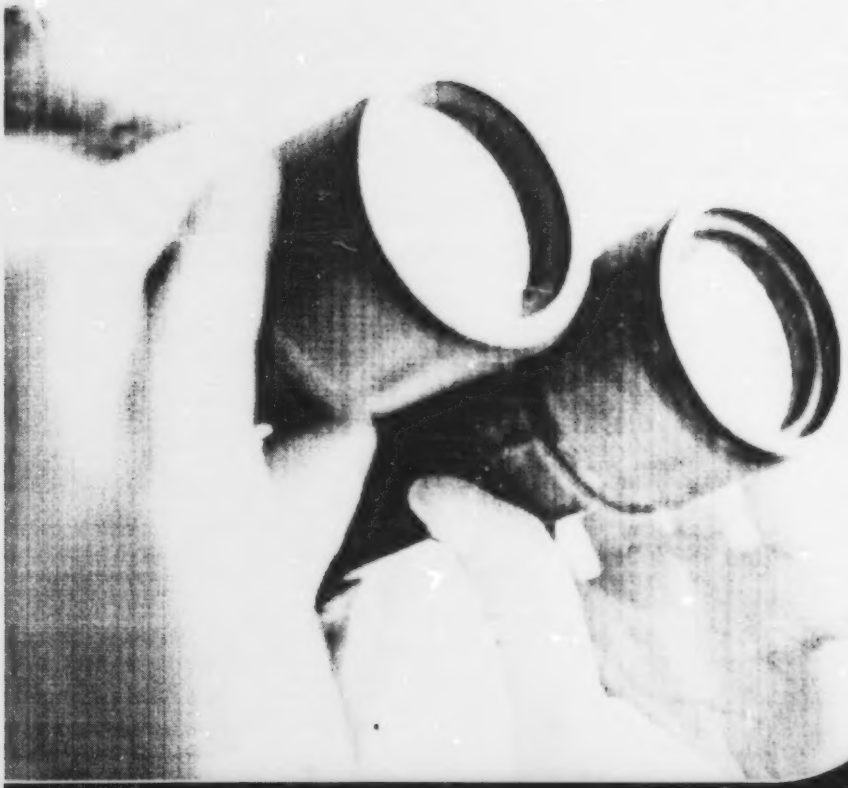

2000 ANNUAL REPORT

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TABLE OF CONTENTS

2000 ANNUAL REPORT OF THE BUREAU DES SERVICES FINANCIERS

Covering Letter	5
Presentation of the Organization	6
Members of the Board of Directors	8
President's Message	10
Corporate Secretary's Message	12
Regulations, Opinions and Directives	14
Supervision and Application of the Act	16
Training and Pre-Certification	21
Certification and Registration	26
Communications	29
Information and Referral Centre	31
Committees Reports	23
Financial Statements	52
2000 Annual Report of the Fonds d'indemnisation des services financiers	59

101-06901/

Ms. Pauline Marois

Deputy Premier and
Minister of State for the Economy and Finance

Government of Québec

Parliament Buildings, Québec

Dear Madam:

I am honoured to present to you the Annual Report of the Bureau des services financiers for the year ended December 31, 2000.

This Report gives an account of our main activities and achievements for year 2000, which reflect our first complete year of operation in the pursuit of our objectives towards the enforcement of the Act. In addition, this Report includes the audited financial statements of the Bureau.

Respectfully yours,

Louise Champoux-Paillé

Louise Champoux-Paillé, Economist, MBA
President

PRESENTATION OF THE ORGANIZATION

The Bureau des services financiers is the organization that supervises the distribution of financial products and services covering the various sectors defined under the Act respecting the distribution of financial products and services: insurance of persons, group insurance of persons, damage insurance, claims adjustment, financial planning, group savings brokerage, investment contract brokerage and scholarship plan brokerage.

The Bureau ensures public protection by seeing to the application of the provisions of the Act and its regulations governing certificate holders, firms, independent representatives and partnerships, as well as insurers and distributors, within the scope of the distribution without a representative.

For this purpose, the Bureau is responsible for preparing most of the regulations, with the exception of those relative to codes of ethics, professional development and professional titles, which are enacted, as the case may be, by the Chambre de la sécurité financière, the Chambre de l'assurance de dommages or the Institut québécois de planification financière, as well as part of the regulations governing securities representatives, which are enacted by the Commission des valeurs mobilières du Québec.

The Bureau issues rights of practice through the certification of representatives and the registration of firms, independent representatives and partnerships. It therefore makes sure, in particular, that the conditions of entitlement to the certificates (minimum training, examinations, training periods) are met. It also sees to the inspection and control of the activities of registrants and takes disciplinary actions, where applicable. It governs distribution without a representative, in particular through the approval of the distribution guides that must be handed over to consumers.

In addition, the Bureau is responsible for the Information and Referral Centre which provides consumers as well as actors in the industry with replies to their questions and, where necessary, accompaniment and support services for any procedure relative to the distribution of financial products and services. This information centre is also the clearinghouse for the reception of complaints.

The Bureau des services financiers is in constant contact with partner organizations: the Chambre de l'assurance de dommages, the Chambre de la sécurité financière, the Commission des valeurs mobilières du Québec, the Fonds d'indemnisation des services financiers, the Inspector General of Financial Institutions as well as the Institut québécois de planification financière, as each of these organizations also has, in its respective field, an important role to play to ensure consumer protection.

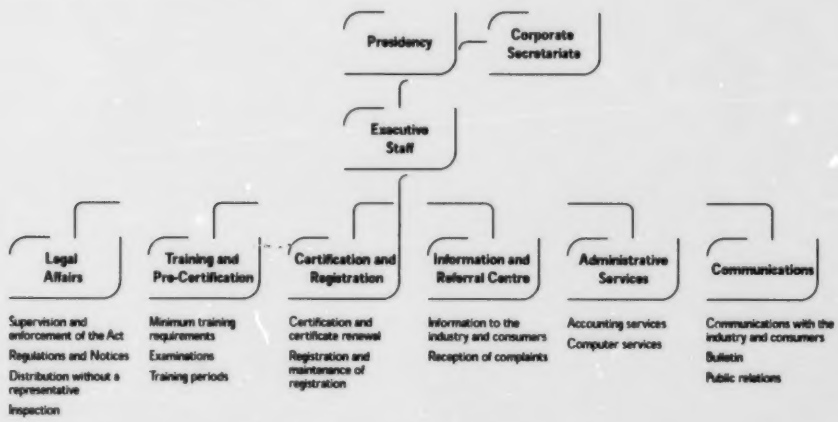
The Bureau therefore offers a unique reference structure that groups together, under its guidance, all the actors in the field of the distribution of financial products and services to ensure coherent and integrated supervision of all the sectors, and guarantee high consumer respect.

The affairs of the Bureau are administered by a Board consisting of 15 members. Ten of the members are appointed by the Minister of State for the Economy and Finance of the Government of Québec, including the president and the vice-president.

Of the ten members that are appointed by the Minister, five are chosen to represent the general public and five others represent the financial planning, insurance of persons, damage insurance, deposit institutions or group savings organizations sectors.

The five remaining members represent the Chambers (three from the Chambre de la sécurité financière, and two from the Chambre de l'assurance de dommages).

ORGANIZATION CHART



ROLE OF THE PRESIDENT

The President chairs all the meetings of the board and may convene them. She is the spokesperson of the Bureau and supervises its activities. She exercises all the powers conferred on her by the Bureau. She signs all the documents binding on the Bureau. She is automatically part of all the committees created by the board.

Annual salary: $116,788

ROLE OF THE GENERAL MANAGER

The General Manager is responsible for the management of the Bureau des services financiers. He makes sure that the activities of the Bureau run smoothly, by planning, organizing, managing and controlling its operations.

Annual salary: $86,700

ROLE OF THE CORPORATE SECRETARY

The Corporate Secretary must send to the board members meeting notifications and agendas. She attends the meetings, draws up and keeps the minutes. She has custody of all the books, registers, documents and records of the Bureau.

Annual salary: $76,500

Members of the Board of Directors of the Bureau des services financiers

Back, from left to right :
Yvon Lamontagne, Paul-André Simard, Martin Rochon, Alain Poirier, Constance Lemieux et Alain C. Roy.

2nd row :
Charles Pelletier, Réjean Ross, Yves Morency.

Front :
Nathalie Saint-Pierre, Madeleine Plamondon, Louise Champoux-Paillé, Yves Michaud, Joanne Vézina et Marcel Le Houillier.

REPRESENTATIVES OF THE GENERAL PUBLIC

PRESIDENT

Louise Champoux-Paillé, Economist, MBA

VICE-PRESIDENT

Yves Michaud, Founding President, Association de protection des épargnants et investisseurs du Québec inc. (APEIQ)

Charles Pelletier, FCA, Professor Emeritus, Université Laval

Madeleine Plamondon, Chief Executive Officer, Service d'aide au consommateur

Nathalie Saint-Pierre, General Manager, Action réseau consommateur

REPRESENTATIVES OF THE INDUSTRY

FINANCIAL PLANNING

Réjean Ross, C. Adm., F. Pl., C.L.U.

INSURANCE OF PERSONS

Constance Lemieux, Executive Vice-President, Réseau direct Desjardins Laurentian Life Insurance

DAMAGE INSURANCE

Yvon Lamontagne, F.P.A.A., Project Leader for the President, AXA Canada

DEPOSIT INSTITUTIONS

Yves Morency, Secretary for Governmental Affairs, Confédération des caisses populaires Desjardins. In July 2000, he replaced Lise Nadeau, Attorney and Senior Legal Adviser, Office of the Assistant to the President and Chief Operating Officer, Confédération des caisses populaires et d'économie Desjardins du Québec

MUTUAL FUND ORGANIZATIONS

Joanne Vézina, MBA, Vice-President, Customer Service, Gestion Financière Talvest inc.

REPRESENTATIVES OF THE CHAMBERS

Marcel Le Houillier, F.C.I.A., F.S.A., Consulting Actuary, Vice-President of the Chambre de l'assurance de dommages

Martin Rochon, R.L.U., F. Pl., President, PLANI-VIE services financiers, President of the Chambre de la sécurité financière

Alain C. Roy, B.A.A, R.L.U., F. Pl., Financial Security Advisor, NB Services financiers inc., Vice-President, Insurance, Chambre de la sécurité financière

Paul-André Simard, A.I.B., Damage Insurance Broker, President of the Chambre de l'assurance de dommages

Danielle Surprenant, C.L.U., F. Pl., Agence G. Gadoua inc., Vice-President, Securities, Chambre de la sécurité financière. She replaced, in November 2000, Alain Poirier, Services financiers Rivard Poirier, Outgoing President of the Chambre de la Sécurité financière

President's Message

More than fourteen months have elapsed since the *Act respecting the distribution of financial products and services* came into force. Year 1999 was marked by the arrival of our organization on the financial products and services industry scene. Aware at the very beginning of the stakes in the application of this new legislation, we began to set up the Bureau by preparing the regulations, transferring the rights of practice of all the professionals in the industry and developing the operational structure. After these months of implementation, we considered the evolution that would take place in 2000, our first full year of activities, and we were looking forward to consolidating our operations and listening to the needs of our various partners.

CONSOLIDATION OF THE OPERATIONS OF THE BUREAU DES SERVICES FINANCIERS

Continuing what we had begun in 1999, we provided the Bureau with all the resources required for its operation in less than six months. Our first concern for 2000 was therefore to develop and strengthen the various work procedures imposed by the new requirements of the *Act respecting the distribution of financial products and services.*

In fact, the introduction of the way to carry on activities for individuals and companies, as well as the other novelties in the regulations had a direct impact on the development of the work processes relative to our professional practice supervisory mission. We therefore had to innovate in addition to benefiting from the legacy of the expertise of former regulatory organizations. Overtime hours were no longer counted, and the will to understand and to adjust better to the many changes was ever present. It was sometimes difficult for the staff members to take up this tremendous challenge without having some ups and down. Although their work objectives were not all reached, the Bureau's team showed initiative, dedication to meet the needs of certified representatives and registrants, while constantly ensuring the protection of the public.

I wish to thank sincerely all the members of the staff for this contribution and dedication. I also wish to mention the outstanding support of the management committee, made up of all the directors of our various branches, who supported me throughout this highly influential year, especially in the last two months that were marked by the departure of our general manager, Ms. Marie Désilets. I take this opportunity to thank her for all the efforts she has expended since the beginning of this great adventure.

A WILL TO LISTEN TO THE PEOPLE FROM THE INDUSTRY AND THE CONSUMERS

Our last year was also characterized by a strong desire to listen to the industry and our various partners.

On the one hand, we worked, in collaboration with the other organizations involved in the field of insurance and the distribution of financial products and services, on the definition of a call distribution grid, having as a drop-off point our Information and Referral Centre. The latter thus distributes calls to our partner organizations according to their expertise. The Canadian Life and Health Insurance Association Inc., the Insurance Bureau of Canada, the Chambre de la sécurité financière, the Chambre de l'assurance de dommages, the Commission des valeurs mobilières du Québec, the Inspector General of Financial Institutions and the Institut québécois de planification financière participated in this round table.

In September 2000, this collaboration with partner organizations continued as a first meeting was organized with representatives of consumer associations, to brief them on the new environment created by the Act.

On the other hand, our commitment to listen also came to reality as we worked closely with the professional associations concerned as well as several firms. I thank all these invaluable collaborators and, in particular, the Chambre de l'assurance de dommages and the Chambre de la sécurité financière.

PROFESSIONALISM AND AVAILABILITY

I would also like to attest to the professionalism and availability of the members of our board of directors who often rolled up their sleeves and spent many hours working on the development of the Bureau. The overview of the achievements of the board and its various ad hoc committee is proof of this. I wish to thank two members who left their positions during year 2000, Ms. Lise Nadeau and Mr. Alain Poirier, for their outstanding contribution. The positions that became vacant were filled by Mr. Yves Morency, Secretary for Governmental Affairs at the Confédération des caisses populaires Desjardins, and by Ms. Danielle Surprenant, Vice-President, Securities, Chambre de la sécurité financière.

CONTINUATION OF OUR MISSION

For the coming year, we will continue to stay the course of listening to the needs of our various partners by meeting systematically with consumer associations, representatives, firms and associations.

With respect to administrative matters, we will continue our efforts towards the consolidation of operations to ensure greater efficiency and a better quality of life at work.

In the coming year, many substantial issues will be the object of analyses and discussions, such as the improvement of our certification and registration processes, the terms and conditions for re-qualification relative to group insurance, the register of complaints, disclosure, the development of our Information and Referral Centre in order to better meet the needs of consumers, our position regarding the evolution of supervisory organizations across Canada, the distribution of financial products and services via Internet and the notion of product offer.

In conclusion, I would like to thank you for the support you have given me and I invite you to go through the realization of the staff of the Bureau, the members of the board of directors and the various ad hoc committees.

Louise Champoux-Paillé

Louise Champoux-Paillé, Economist, MBA
President

Corporate Secretary's Message

In 2000, the board of directors of the Bureau des services financiers held eight regular meetings and six special meetings. These meetings made it possible to continue working on the implementation of the Act and to closely supervise this first complete year of application.

The board remained vigilant to make sure that the Act would produce its effects and that consumers would benefit from the protections and initiatives of this new supervisory structure. For this reason, the board was very concerned by the difficulties brought up by the various actors it supervises. Seeking a consensus and solutions, the Bureau continued its work towards the clarification of the Act and its regulations.

CLARIFICATION OF THE ACT

Many regulatory adjustments were to be expected and some issues had to be dealt with this year. For example, there were the controversial issues concerning the enhancement of the minimum training requirements after 2002, the rules concerning the ownership of firms in the insurance of persons and group insurance sectors (notion of agent and broker) and the notice of specific consent, for which adequate solutions were developed.

Regulatory provisions as well as a number of directives were adopted for the purpose of specifying, clarifying and, whenever possible, simplifying the rules applicable. As a matter of fact, the Bureau completed the publication of all its administrative regulations and internal by-law at the same time as those of the Chambers, in order to offer a global picture. A faithful and privileged witness of these regulations and directives, the Bulletin of the Bureau kept the various stakeholders informed through its publications that became periodical this year and has remained available on the Website of the Bureau.

Other issues progressed significantly during the year, but without reaching a formal conclusion. This is the case of the disclosure prescribed by the Act under sections 17, 26, 28, 31, 32 and 40, whose coming into force is still suspended. In the same context of disclosures, the members of the board are continuing their analysis of the notion of remuneration within the meaning of section 431 and 433 of the Act, as regards distribution without a representative.

The Bureau was relieved to receive the *Regulation concerning securities* adopted by the Government. It thus put an end to the problem of the QBICs (Québec Business Investment Companies) and debt securities, by specifying that only representatives in group savings, investment contracts and scholarship plans employed by full-practice brokers or discount brokers remain governed by the *Securities Act*.

In addition, the collaboration among the Chambers, the Government and the Bureau proved to be beneficial for the postponement of the elections of members of the board of the Chambers to Spring 2001 rather than Fall 2000. Such postponement, obtained further to an amendment to the Act, will make it possible to hold this election by mail in the best conditions possible. As the returning officer, I thank them for this.

The board also replied to requests for opinion submitted by the Minister of Finance regarding the distribution of certain products, on the advisability of including them in the distribution without a representative scheme. The Bureau gave opinions twice this year. On the other hand, the Bureau suspended its work in this capacity, for the time required to make an assessment of its interventions and to analyse globally the characteristics of the insurance products that are suitable for this new method of distribution.

Again this year, the Bureau continued its negotiations with interested professional orders for the purpose of renewing the agreements, with the objective of achieving greater consistency in the supervision of all financial planners. The Bureau also concluded agreements with the Chambers concerning, among other issues, the collection and the redistribution of representatives' contributions.

On the other hand, the Bureau has not yet had the opportunity to exercise its powers to take legal action against registrants; however, this should come to reality next year. This situation is not exceptional, considering the fact that the Act and its regulations are new, and the approach adopted by the Bureau. On the other hand, as indicated further on, the board saw to the creation of a decision-making committee on representatives with respect to the powers prescribed under sections 218, 219 and 220 of the Act. With this committee, it prepared a protocol for the application of section 79 of the Act.

In addition to the pursuit of the activities mentioned above, the board will attempt to better structure its activities in order to provide the Bureau with an in-depth reflection on the notion of offer and the various methods of distribution.

Anne-Marie Beaudoin, Attorney
Corporate Secretary

Regulations, Opinions and Directives

One of the most important roles of the Bureau is to draw up regulations. It was rapidly felt that adjustments to the regulations adopted in 1999 were required. Certain technical corrections were necessary. On the other hand, regulations on issues that had not been dealt with initially, during the first regulation-making stage, remained to be enacted.

DRAFT REGULATIONS

Amending:

- **The *Regulation respecting the issuance and renewal of representatives' certificates* (Regulation No. 1)**

  The amendments made to this Regulation were aimed at including:

  - the work-study scheme for applicants in the damage insurance and claims adjustment careers;
  - new minimum requirements, beginning on 2002;
  - new ways of access to the career;
  - the rules governing compulsory professional development.

- **The *Regulation respecting certain notices to be remitted to consumers* (Regulation No. 3) and the *Regulation respecting distribution without a representative* (Regulation No. 4)**

  The object of these draft regulations was to review the notices of specific consent authorizing a firm to disclose to a representative information that it holds for purposes other than those for which it was collected. The object of the draft regulations was to add to these notices a section for consumers entitled: "What you must know", and allow that this information continue to be disclosed to a representative, even after it has been updated.

- **The *Regulation respecting the registration of firms, representatives and independent partnerships* (Regulation No. 7)**

  This draft regulation concerns the Bureau's position with respect to the application of firms' ownership rules in the insurance of persons and group insurance of persons sectors.

OPINIONS TO THE GOVERNMENT

In accordance with the provisions of the Act, the Bureau may make recommendations to the Minister on any matter relative to the distribution of financial products and services. In 2000, the Bureau issued two opinions concerning distribution without a representative.

- Notice on insurance products offered by the Sociétés nationales des Québécoises et Québécois and the Sociétés Saint-Jean-Baptiste
- Notice on the MaxNeige program offered by the Fédération des clubs de motoneigistes du Québec inc.

Directives of the Bureau

Considering the novelties introduced by the Act, the Bureau was asked to give its interpretation on various sections. To that effect, it adopted interpretation directives and application directives.

- Directive concerning employees in group insurance firms (Ref.: Bulletin No. 1, February 2000)
- Directive concerning the certification and the obligation to make a choice as to the way to carry on business (Ref.: Bulletin No. 1, February 2000)
- Directive respecting the application of section 441 (Ref. : Bulletin No. 1, February 2000)
- Adoption of a fixed fee per sector for the first issuance of a representative's certificate, the reinstatement of a representative's certificate, and the addition of a sector (Ref.: Bulletin No. 4, May 2000)
- Preparation of the *Rules respecting representations, banners or business cards*, to ensure compliance of business cards and representations (Ref.: Bulletin No. 4, May 2000)
- Directive concerning the marketing of the registers of the Bureau (Ref.: Bulletin No. 4, May 2000)
- Directive on the verification by third parties of the ways to carry on business (Ref.: Bulletin No. 5, June/July 2000)
- Directive concerning contracting-out and network agreements (Ref.: Bulletin No. 5, June/July 2000)
- Directive concerning limited powers of attorney and letters of authorization used by group savings brokerage firms within the scope of transactions concerning mutual fund securities (Ref.: Bulletin No. 5, June/July 2000)
- Directive concerning the exemptions relative to the certification requirements applicable to candidates who are authorized to act in another Canadian province (reciprocal agreements) (Ref. : Bulletin No. 8, October 2000)
- Position concerning the obligation to use separate forms in insurance proposals for the damage insurance sector (section 33 of the *Act respecting the distribution of financial products and services*)

GRADUAL IMPLEMENTATION OF THE ACT

The Bureau also adopted five directives concerning the gradual implementation of the new obligations brought about by the Act. Through these directives, the Bureau wished to inform the financial services industry of the priorities with respect to the obligations to be respected, while giving the latter time to ensure compliance, and thus preventing hold-ups in their operations.

- Time period for the gradual implementation of the distribution guides: current
- Deadline to ensure compliance of business cards and advertisement with the requirements: ended on September 5, 2000
- Moratorium on the ways to carry on business: ended on September 5, 2000
- Moratorium on the register of complaints: undetermined period
- Moratorium on the financial planning training period: undetermined period.

INTERNAL BY-LAWS

- Adoption of a By-law respecting the scales of remuneration, the staffing plan and the other standards applicable to the employees of the Bureau des services financiers and the members of the Fonds d'indemnisation des services financiers. This By-law includes the rules of ethics.
- Revision of the Internal By-law of the Bureau and the Compensation Fund.

INSPECTION AND INVESTIGATIONS ON ILLEGAL PRACTICE

Year 2000 was devoted essentially to the determination of the orientations of the inspection branch of the Bureau. A procedure manual to guide the investigators in their work was developed. Models of reports, log sheets and other work tools were also prepared.

On the other hand, the inspection branch took part in the nation-wide inspection of a group savings firm, in collaboration with the securities commissions of the other provinces. This participation allowed the Bureau to carve out a place for itself within the supervisory organizations.

In consideration of the nature of the inspections that took place this year, the Bureau is not able to report on findings on how registrants protect the personal information concerning their clients.

The following tables present a description of requests for investigations concerning registrants, representatives and distribution without a representative.

REQUESTS FOR INVESTIGATION CONCERNING REGISTRANTS

The inspection branch of the Bureau analysed 84 requests for investigation concerning registrants, between January 1 and December 31, 2000. As of December 31, 2000, 26 cases were still under investigation.

Distribution according to the sector concerned by the request for investigation	***Number***
Insurance of persons	16
Group insurance of persons	5
Damage insurance	33
Claims adjustment	2
Group savings plan brokerage	27
Scholarship plan brokerage	1
Total	**84**

Distribution according to the type of registrant	***Number***
Firm	82
Independent representative	2
Independent partnership	0
Total	**84**

Nature of the alleged fault	***Number***
Failure to act with honesty and loyalty in one's relationships with clients*	13
Failure to act with care and competence*	39
Failure to supervise adequately one's representatives, employees or officers*	19
Advertising not in accordance with the legal requirements	13
Total	**84**

Origin of the requests for investigation	***Number***
Industry	25
Consumers	50
Internal	3
Supervisory organization	6
Total	**84**

* Where a representative is directly concerned by a request for investigation, the latter is referred to the syndic of the Chambre de l'assurance de dommages, or the syndic or co-syndic of the Chambre de la sécurité financière, as the case may be.

Cases closed		*Nombre*
Inadmissible request for investigation		7
Unfounded request for investigation		32
Lack of evidence		3
Warning		16
Decision-making committee		0
	Cases under investigation	26
	Total	**84**

REQUESTS FOR INVESTIGATION FOR ILLEGAL PRACTICE

The inspection branch of the Bureau analysed 94 requests for investigation between January 1 and December 31, 2000, for illegal practice and usurpation of title. As of December 31, 2000, 15 cases were still under investigation.

Sector in which titles were usurped		*Number*
Insurance of persons		35
Group insurance of persons		6
Damage insurance		35
Claims adjustment		11
Group savings plan brokerage		3
Scholarship plan brokerage		1
Financial planning		3
	Total	**94**

Nature of the alleged fault		*Number*
Soliciting clients		5
Offering financial products and services		48
Acting as advisor (consultant)		2
Usurping a title		10
Offering financial products and services in Québec (out of Québec)		4
Starting a training period before obtaining a training attestation		25
	Total	**94**

Origin of the requests for investigation		*Number*
Industry		39
Consumers		17
Internal		30
Supervisory organization		8
	Total	**94**

Cases closed	*Number*
Inadmissible	3
Unfounded	34
Lack of evidence	11
Warning	24
Referred to the legal branch for a follow-up	7
Cases under investigation	15
Total	**94**

REQUESTS FOR INVESTIGATION CONCERNING DISTRIBUTION WITHOUT A REPRESENTATIVE

Between January 1 and December 31, 2000, the inspection branch of the Bureau analysed two requests for investigation concerning distributors originating from the industry.

DISTRIBUTION WITHOUT A REPRESENTATIVE

APPROVAL OF THE DISTRIBUTION GUIDES

Since 1999, the Bureau has received 138 distribution guides for analysis and approval. Most of these guides concern credit insurance (hypothecary loans, personal loans, etc.) and travel insurance.

Before the guide could be approved, an analysis and correction grid had to be prepared. This grid was designed on the basis of the *Regulation respecting distribution without a representative* and a study on simple and clear language that must be used so that consumers will better understand the information contained in the guides.

DECISIONS CONCERNING REPRESENTATIVES

REPORT OF THE DECISION-MAKING COMMITTEE ON REPRESENTATIVES

MEMBERS OF THE COMMITTEE:

Charles Pelletier

Yvon Lamontagne

Paul-André Simard

Alain Poirier (replaced in November 2000 by Ms. Danielle Surprenant)

Alain C. Roy, as substitute member

ROLES AND POWERS

The decision-making committee on representatives is an administrative committee chosen from among the members of the board of the Bureau des services financiers. This committee is entrusted with the application of the powers conferred under sections 218, 219 and 220 of the *Act respecting the distribution of financial products and services*.

These sections of the Act entitle the committee to cancel a certificate, suspend it or refuse to issue it or to renew it, or impose conditions or restrictions on it, where its holder:

- has made an assignment of property or has previously been placed under a receiving order;
- has previously been convicted of a criminal act or an indictable offence linked to the activity of a representative;
- has previously had his right of practice suspended or revoked in one of the sectors referred to in the Act.

The committee may also refuse to issue a certificate to a person who would not possess the degree of honesty necessary or who would be in a situation that is incompatible with the pursuit of the activity of a representative.

In applying this discretionary power, the objective of the committee is to protect consumers that are likely to do business with a representative in one of the situations mentioned above. The committee does not replace the discipline committees of the Chambers in cases where a representative committed an offence against the laws or the regulations by which he is governed.

The decision-making committee also plays a role of recommendation for the board of directors of the Bureau as regards the cases submitted pursuant to sections 78 and 79 of the Act. These sections confer on the Bureau the power to refuse a registration where the firm (or independent partnership) or one of its directors or executive officers does not show the required honesty, solvency and competence. For year 2000, five applications for registration filed by firms were refused by the Bureau because their directors or executive officers did not meet the criteria governing competence, solvency and honesty.

SUMMARY OF ACTIVITIES

During year 2000, the committee met 10 times, thus making it possible to process a total of 697 files out of a population of approximately 35,000 representatives (irrespective of the type of cases). This high volume of files is a result of the transitional measures that followed the coming into force of the Act. These measures provide that the Bureau may examine present or past bankruptcies. The committee therefore reviewed all bankruptcy cases in order to make sure that an organization entrusted with the supervision of representatives had already rendered a decision.

With the experience acquired through the analysis of all these files, the committee adopted, at the end of the year, evaluation benchmarks in order to delimit the most important cases requiring special intervention by the Bureau. With this way of operating, it is now possible to analyse the cases efficiently over periods of no more than four weeks.

NUMBER OF FILES SUBMITTED TO THE DECISION-MAKING COMMITTEE FOR ANALYSIS

Types of cases	*Number of files opened for analysis in 2000*
Bankruptcies (present/past)	634
Criminal acts or indictable offences	50
Incompatible situations	7
Honesty	0
Suspension (by another organization)	6
TOTAL	**697**
Firm directors or executive officers (s. 78-79)	14

PROJECTIONS FOR YEAR 2001

For 2001, the decision-making committee expects to carry on with its mandate by planning meetings on a monthly basis or more frequently, if necessary.

Training and Pre-Certification

SPLITTING OF THE CERTIFICATION, REGISTRATION AND TRAINING BRANCH

The Certification, Registration and Training Branch was split into two separate departments, thus allowing the branch involved in training and pre-certification to form a separate administrative unit. Further to this split, a director was hired to assume the management of the Certification and Registration Branch.

The various activities linked with the new Training and Pre-Certification Branch were fully centralized at the Montréal office. Employees were added and trained to support the basic team.

DEVELOPMENT OF ADMINISTRATIVE PROCEDURES BASED ON THE NEEDS OF THE INDUSTRY

Throughout the year, the consolidation of the administrative procedures was done with flexibility, taking into account the requirements of the *Regulation respecting the issuance and renewal of representatives' certificates* (Regulation No. 1), which was amended in November 2000.

MEETINGS WITH THE PEOPLE INVOLVED IN THE TRAINING FIELD

Many meetings were held with the industry to explain the application of Regulation No. 1, clarify its interpretation and collect comments. The Bureau took part in a round table organized by college-level institutions, and attended many meetings with the Association des directeurs de formation of various insurance companies. In addition, students registered in the college studies diploma or the college attestation in insurance were able to have a meeting with the officers of the Bureau.

To comply with the various requirements of Regulation No. 1 and to meet the needs of the industry, improvements were made to all the activities of the branch, in particular as regards the examinations and the training material.

ADAPTATION OF THE EXAMINATIONS TO THE REQUIREMENTS OF REGULATION NO. 1

All of the examination questions prescribed by the Bureau were reviewed in order to make sure that they meet the requirements of Regulation No. 1.

In addition, for the sake of harmonization among the sectors, the examinations for the damage insurance and claims adjustment sectors are now made up of multiple-choice questions just as those that are prescribed for the insurance of persons and group insurance of persons sectors.

NEW EXAMINATIONS SCHEDULE

A new examinations schedule provides for examination sessions every week in Montréal and Québec, and every four weeks in the regional centres. Since November 2000, an examination session may be spread over a two-day period, depending on the sector chosen.

IMPROVED TRAINING MATERIAL

Since November 2000, it is possible to order all the training material directly from the Bureau. A binder containing the texts of the *Act respecting the distribution of financial products and services*, its regulations as well as the codes of ethics enacted by both Chambers was published for applicants. In addition, a new training material for accident and health insurance is under preparation and should be published in 2002.

RECOGNITION OF COURSES IN GROUP INSURANCE OF PERSONS

For group insurance, the preparation and implementation of the courses recognition process began in connection with the three qualifications evaluated by the Bureau for organizations that offer or wish to offer training in group insurance. In addition, a moratorium was adopted for the evaluation of the qualifications pertaining to taxation.

TRAINING IN FINANCIAL PLANNING

Training in financial planning was the object of a six-month moratorium to allow a task force to examine whether or not a training period is required in this sector.

AGREEMENT WITH COLLEGE-LEVEL INSTITUTIONS

An agreement was reached between the Bureau and college-level institutions for the purpose of recognizing the training periods within the scope of the damage insurance and claims adjustment training programs recognized by the Bureau. This agreement was included in the amendments to Regulation No. 1 of November 2000.

PARTICIPATION IN SPECIFIC TASK FORCES

The Training and Pre-Certification Branch took part in a task force made up of experts in the field to study the problem of re-qualification and the new requirements applicable to group insurance of persons. Furthermore, it took part in an advisory group on the merger of the qualifications in insurance of persons, damage insurance and claims adjustment.

A FEW FIGURES – JANUARY 1ST TO DECEMBER 31, 2000

MINIMUM TRAINING REQUIREMENTS

RECOGNITION OF EXPERIENCE

Applications accepted	270
Applications refused or inadmissible	43
Total	**313**

APPLICATIONS STUDIED

Sectors	*Accepted*		*Refused*[1]		*Inadmissible*[2]	
Insurance of persons	119	(80 %)	17	(12 %)	12	(8 %)
Damage insurance	144	(92 %)	6	(4 %)	6	(4 %)
Claims adjustment	7	(78 %)	2	(22 %)	–	–
Total	**270**	**(86 %)**	**25**	**(8 %)**	**18**	**(6 %)**

1. An application is refused if the candidate's experience is not deemed pertinent.
2. An application is deemed inadmissible if the candidate does not meet the criteria required for the recognition of experience.

LEVEL OF STUDIES EQUIVALENT TO THE COLLEGE STUDIES DIPLOMA

Applications accepted	687	(83 %)
Applications refused	140	(17 %)
Total	**827**	

This new way of access to the career developed by the Bureau is a privileged way for a good number of applicants. Some eight hundred people have taken advantage of this provision. It allowed all those who did not hold a special attestation in insurance or a college studies diploma to have access to the career of representative by having thirteen years of schooling recognized.

EXAMINATIONS

NUMBER OF PERSONS REGISTERED FOR THE EXAMINATIONS BY SECTOR AND SECTOR CLASS

Sectors and sector classes de discipline	*Number of persons registered for the examinations**
Insurance of persons	2,209
Accident or health insurance	339
Group insurance of persons	214
Group insurance plans	1
Damage insurance	164
Personal-lines damage insurance	562
Commercial-lines damage insurance	118
Claims adjustment	41
Personal-lines claims adjustment	42
Commercial-lines claims adjustment	8
Claims adjustment in the employ of an insurer	59
Total number of persons registered	**3,757**

* Number of persons registered, regardless of the number of examinations passed. A person may register for more than one examination session.

It should be noted that no examination is prescribed by the Bureau in the financial planning, group savings brokerage, investment contract brokerage and scholarship plan brokerage sectors. For these sectors, other qualification requirements are prescribed under the Act or the Regulation of the Commission des valeurs mobilières du Québec for the obtainment of a representative's certificate.

RATE OF SUCCESS OF THE EXAMINATIONS PRESCRIBED BY THE BUREAU

Note: The passing grade for an examination is 60%.
Candidates who fail the initial examination may rewrite their examination.

Insurance of Persons		Number of exams	Success rate at the initial examination: Number of exams passed	Success rate at the initial examination: Success rate
01-101	To apply the legal and legislative concepts pertaining to insurance of persons and the activity of a representative in the insurance of persons sector	1,558	1,200	77%
01-201	To apply taxation concepts to professional practice	1,300	962	74%
01-301	To prepare an individual life-insurance plan adapted to a client's needs, in particular on the basis of an analysis of the client's financial situation and ability to pay the premium	1,528	1,268	83%
01-302	To prepare an individual disability-insurance plan adapted to a client's needs, in particular on the basis of the client's financial situation and ability to pay the premium	1,498	1,109	74%
01-303	To prepare an individual financial-products plan adapted to a client's needs, in particular on the basis of an analysis of the client's financial situation and ability to pay the premium	1,527	1,176	77%
01-304	To prepare a segregated-funds proposal adapted to a client's needs	1,298	1,077	83%
Conseil des assurances de personnes				
End of training		410	361	88%

Accident or Health Insurance		Number of exams	Success rate at the initial examination: Number of exams passed	Success rate at the initial examination: Success rate
01-102	To apply the legal and legislative concepts pertaining to accident or health insurance to the activity of a representative in the accident or health insurance sector	286	255	89%
01-305	To prepare an accident or health insurance plan adapted to a client's needs, in particular on the basis of an analysis of the client's financial situation and ability to pay the premium	285	211	74%
Conseil des assurances de personnes Accident or Health Insurance				
End of training		22	19	86%

Group Insurance of Persons		Success rate at the initial examination		
		Number of exams	*Number of exams passed*	*Success rate*
02-103	To apply the legal and legislative concepts pertaining to insurance of persons and to the activity of a representative in the group insurance sector	211	194	92%
02-306	To prepare a group-insurance proposal adapted to the needs of an individual client, an organization or an enterprise	59	38	64%
02-307	To prepare a group insurance and annuity proposal adapted to the needs of an individual client, an organization or an enterprise	30	16	53%

Damage Insurance and Claims Adjustment		Success rate at the initial examination		
		Number of exams	*Number of exams passed*	*Success rate*
03-104	To apply the legal and legislative concepts pertaining to damage insurance and the activity of a representative in damage insurance	713	558	78%
05-105	To apply the legal and legislative concepts pertaining to damage insurance and the activity of a claims adjuster	74	58	78%
03 (05)-401	To analyse household-insurance products	569	518	91%
03 (05)-402	To analyse automobile-insurance products (personal-lines)	569	526	92%
03 (05)-403	To analyse automobile-insurance products (commercial-lines)	88	57	65%
03 (05)-404	To analyse commercial-lines insurance products, in particular direct and indirect damage-insurance products	89	69	78%
03 (05)-405	To analyse commercial-lines insurance products, in particular complementary products for enterprises	90	70	78%
03 (05)-406	To analyse commercial-lines insurance products, in particular liability-insurance products for enterprises and deposit products	90	63	70%
05-501	To settle claims in personal-lines insurance	59	45	76%
05-502	To settle claims in commercial-lines insurance	8	4	50%
03-121	Activity of a damage insurance representative	6	5	83%
03 (05)-122	Activity of a claims adjuster	19	15	79%
Transitional measures				
To settle a claim, in the employ of an insurer (for less than one year)		54	50	93%

Certification and Registration

END OF THE TRANSITIONAL MEASURES

Within the scope of the transitional measures, two major operations were completed: the issuance of certificates for all the representatives as well as the registration of firms. In addition, all the files of representatives and firms that had not completed the transitional measures were closed further to a decision of a committee created for this purpose. This operation lasted until October 2000.

INTEGRATION OF SECURITIES INTO THE CERTIFICATION AND REGISTRATION PROCESS

In addition to current operations consisting of processing application, issuing certificates and ensuring a follow-up with securities firms, the Bureau received all the files of restricted-practice brokers who had not transferred to the Bureau because they were offering QBICs (Québec Business Investment Companies), as well as the files of their representatives. In July 2000, the transfer of jurisdiction from the Commission des valeurs mobilières du Québec to the Bureau resulted in the integration of close to 6,000 files into the certification and registration process.

FIXED FEES FOR THE ISSUANCE OF A FIRST CERTIFICATE OR A REINSTATEMENT

To accelerate the certificate issuance process, the fees payable per sector for the obtainment of a first certificate or a reinstatement were set at a fixed amount, regardless of the period of validity of the certificate, which may vary from 6 to 17 months.

OPERATIONS TO ENSURE THE RELIABILITY OF THE REGISTER

The challenge for the Certification and Registration Branch was, on the one hand, to decrease to three weeks the time required for the issuance of a first certificate and, on the other hand, to process all the applications received before December 15, 2000, in order to prepare the register for the election of the members of the board of the Chambre de la sécurité financière and the Chambre de l'assurance de dommages. For the same purpose, the certificates that had expired or had not been renewed were cancelled. New applications for certificates, for the addition of a sector and for reinstatement were processed at a rate of approximately 200 per week.

REGISTRATION AND MAINTENANCE OF REGISTRATION OF FIRMS

In addition to the registration of new firms, that is, approximately 458 for year 2000, a massive operation of maintenance of registration of firms was launched in October 2000. Thus, 2,464 firms were involved in this operation.

ANALYSIS OF WORK PROCESSES AND OF THE RECOVERY PLAN

Carried out in part by external consultants, in particular for the procedures linked with the registration of firms and its maintenance, the process analysis was completed. In view of the complexity of these operations and the number of files to be processed, it appeared wiser to consolidate the current processes than to change them immediately, even if certain solutions were considered. A recovery plan has, in fact, been developed and will be proposed in 2001.

STATISTICS – JANUARY 1ST TO DECEMBER 31, 2000

ISSUANCE OF CERTIFICATES

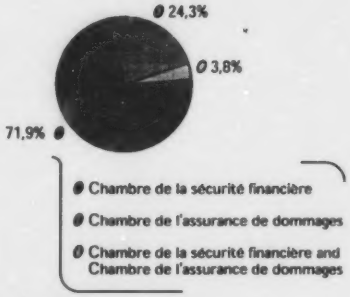
Number of new certificates issued, including the addition of a sector	9,530
Number of reinstatements of certificates	458

NUMBER OF REPRESENTATIVES CERTIFIED BY SECTOR*

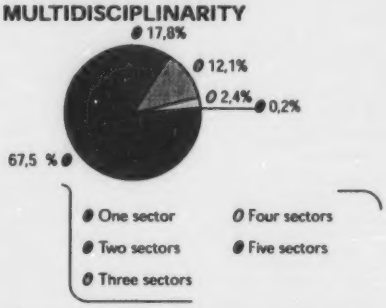
Sectors and Classes				*Number of representatives*
Insurance of persons				11,598
Accident or Health insurance				603
Group insurance of persons				10,118
Group insurance plans				31
Group annuity plans				0
Financial planning				2,513
Group savings brokerage				19,060
Investment contract brokerage				69
Scholarship plan brokerage				623
Damage insurance	agents	1,870		
	brokers	4,022		
			total	5,892
Personal-lines damage insurance	agents	992		
	brokers	712		
			total	1,704
Commercial-lines damage insurance	agents	13		
	brokers	110		
			total	123
Claims adjustment		590		
Personal-lines damage insurance		74		
Commercial-lines damage insurance		6		
Claims adjustment in the employ of an insurer		1,731		
Claims adjustment in the employ of a personal-lines damage insurer		92		
Claims adjustment in the employ of a commercial-lines damage insurer		14		
			total	2,507

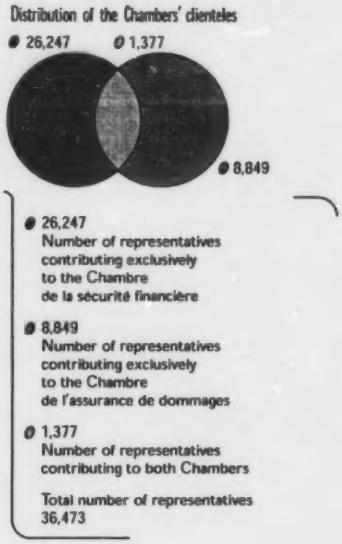
* A representative may pursue activities in more than one sector. He may therefore be counted more than once.

DISTRIBUTION OF THE CHAMBERS' CLIENTELES



MULTIDISCIPLINARITY





NUMBER OF FIRMS, INDEPENDENT PARTNERSHIPS AND INDEPENDENT REPRESENTATIVES ACCORDING TO THE SECTORS

Sector	Number of firms*	Number of independent partnerships*	Number of independent representatives*
Insurance of persons	2,231	20	3,799
Group insurance of persons	2,006	18	3,395
Damage insurance	1,114	16	232
Claims adjustment	220	1	26
Financial planning	454	4	419
Groups savings plan brokerage	93		
Investment contract brokerage	13		
Scholarship plan brokerage	6		

* A registrant may be authorized to carry on activities in more than one sector.

NUMBER OF FIRMS OR INDEPENDENT PARTNERSHIPS ACCORDING TO THE TOTAL NUMBER OF REPRESENTATIVES THAT ARE AFFILIATED WITH THEM

Number of representatives	Number of firms or independent partnerships
1 representative or sole ownership	1,530
2 to 10	1,089
11 to 50	194
51 to 100	27
101 to 500	31
501 and over	17

COMMUNICATIONS

COMMUNICATIONS WITH THE INDUSTRY

PUBLICATIONS

The Bureau produces various publications to inform the industry and thus help it to comply with the new requirements of the Act.

The Bulletin – the official publication of the Bureau

Object: to give information to the industry and the general public on its main activities, on draft regulations and regulations adopted, on its directives as well as the roll of hearing, and to present a summary of the decisions of the discipline committees of the Chambers. Periodicity: 10 issues per year.

The Guide *Rules respecting representations, banners and business cards*

Object: to familiarize the industry with the new regulations in matters of representation and displays.

Le Petit Guide BSF

Object: to demystify the various processes to go through in order to obtain the right of practice and to clarify the requirements linked to the activity of a representative.

The *News* of the Training and Pre-Certification Branch

Object: to give information on the formalities and administrative procedures relative to the minimum training requirements, the examinations and the training period.
Periodicity: 2 issues per year.

Guides for access to the career

Object: To explain all the processes to go through to obtain a representative's certificate.
Updated: May 2000.

WEBSITE

The Website of the Bureau required a number of adjustments during the year. Its official implementation took place on July 3, 2000. A more convivial structure is presently being developed and will make it possible for surfers to have easy access to the information as soon as they enter the site.

PARTICIPATION IN CONVENTIONS AND CONFERENCES

Of course, the Bureau is available to be at the core of all major gatherings of the industry. Again this year, it participated in the convention of the Grouping of Québec Brokerage Firms as well as in the Congrès 2000 de l'assurance et des produits financiers *(the 2000 Annual Insurance and Financial Products Convention)*, two special occasions to meet the people involved in the field. A stand displaying the theme Soyez branchés sur le BSF (Be connected with the BSF) was designed for this purpose.

Throughout the year, the Bureau participated in many conferences, thus keeping in contact with the industry and shedding better light on the terms and conditions of application of the Act.

COMMUNICATIONS WITH CONSUMERS

FIRST OFFICIAL MEETING WITH CONSUMER ASSOCIATIONS

A first official meeting between the Bureau and consumer associations was held in Montréal on September 15, 2000. Organized by the Bureau, this meeting allowed representatives of the association to better understand the mission of the Bureau and that of its Information and Referral Centre, especially as a clearinghouse for complaints. On that occasion, the Bureau brought together at the same time its major partners in the application of the *Act respecting the distribution of financial products and services*: the Fonds d'indemnisation des services financiers, the Chambre de l'assurance de dommages, the Chambre de la sécurité financière and the Institut québécois de planification financière, as well as other organizations such as the Canadian Life and Health Insurance Association Inc., the Insurance Bureau of Canada and the Inspector General of Financial Institutions. These various organizations gave, in turn, explanations on their mission as regards consumers.

FOLDER INTENDED FOR CONSUMERS

A folder intended for consumers and promoting the Bureau and its Information and Referral Centre was distributed to consumer associations at the meeting of September 15 and later on to Communication Québec, the Office de la protection du consommateur and other partners.

Information and Referral Centre

The Act conferred on the Bureau the role of acting as an Information and Referral Centre in the field of insurance. In collaboration with its other partners, this call centre informs consumers on their rights and the recourses provided for in the Act. More specifically, it serves as a clearinghouse for consumers' complaints and it refers the public to various competent authorities, namely the Chambre de la sécurité financière and the Chambre de l'assurance de dommages. In addition, it provides the industry with accompaniment services for any process having to do with the supervision of the distribution of financial products and services.

ROUND TABLE FOR THE DISTRIBUTION OF INQUIRIES

In 2000, the Information and Referral Centre promoted a reflection with the resources in the field in order to provide adequate accompaniment to its various clienteles. For this purpose, it continued its exchanges with its partners on the sharing of responsibilities as regards the distribution of the types of inquiries. Initiated in 1999, the round table gave the opportunity to the various partners to define their respective fields of intervention. Since then, the complaints received at the Centre have been analysed and dispatched to the organization concerned, using a distribution grid designed for this purpose.

TELEPHONE LINE RESERVED FOR CONSUMERS

To create a direct link between consumers and the Information Centre, a telephone line has been reserved for them since May 26, 2000. In seven months, more than **8,000 calls** were received by our information officers. Most of consumers' inquiries had to do with the validity of representatives' certificates or registration, claims refused by an insurer or inquiries on premium increases. Since this line has been set up, the number of calls on the part of consumers has increased steadily.

SERVICES TO THE INDUSTRY

With respect to its services to the industry, the Information and Referral Centre was able to consolidate its operations. In fact, the transitional measures that resulted in a high rate of calls have now ended. Thus, the flow of calls has decreased, making it possible in particular to cut down the waiting time. Our eight information officers were thus able to develop more easily their expertise to answer questions which, for the most part, concern the current practice of representatives and firms: the application of the Act, access to the career, the renewal of certificates and the maintenance of registrations. Our information officers inform directly or carry out a more thorough research, depending on the nature of the inquiries. There were over **100,000 calls** this year.

As a support to the Information and Referral Centre, the Bureau's Website ensures access for everyone and at all times to the documents required to understand how to obtain a right of practice and to maintain it throughout one's career in the financial products and services field, as well as the various forms prescribed for this purpose.

To improve our customer service, a resource person was added to accompany the representatives at our Québec office. From May to December 2000, more than 50 people benefited every week from this support responsive to the solution of their problems. In Fall 2000, a similar service was implemented in Montréal.

NUMBER OF CALLS AT THE INFORMATION AND REFERRAL CENTRE

- 100,000 calls originating from the industry
- 8,000 calls via our consumer line

DISTRIBUTION OF COMPLAINTS[1] RECEIVED ACCORDING TO THE ORGANIZATIONS

Organizations	Number of complaints received by the IRC[2]	Number of complaints received directly by the organizations concerned	Total number of complaints received
Syndic of the Chambre de la sécurité financière	179	203[3]	382
Co-syndic of the Chambre de la sécurité financière	24	14[3]	38
Syndic of the Chambre de l'assurance de dommages	45	124[3]	169
Fonds d'indemnisation des services financiers	6	104	110
Bureau des services financiers	178	N/A	N/A
Canadian Life and Health Insurance Association Inc.	33	N/A	N/A
Insurance Bureau of Canada	12	N/A	N/A
Commission des valeurs mobilières du Québec	8	N/A	N/A
Inspector General of Financial Institutions	4	N/A	N/A
Pending	8	N/A	N/A
Total	**497**		

(1) For the Chambre de la sécurité financière and the Chambre de l'assurance de dommages, the term "complaint" refers to a request for investigation. In the case of the Fonds d'indemnisation des services financiers, complaints refer to claims for which a file was opened.

(2) The complaints received by the Information and Referral Centre are sent to the organization concerned, where applicable.

(3) In accordance with section 336 of the Act respecting the distribution of financial products and services, where a syndic or the co-syndic receives a complaint, he must immediately advise the Bureau.

Committees Reports

AD HOC COMMITTEE FOR HARMONIZATION BETWEEN GROUP SAVINGS AND SEGREGATED FUNDS

CHAIR OF THE COMMITTEE:
Louise Champoux-Paillé, President of the Bureau

MEMBERS:
Sylvie Coulombe, Director, Québec Marketing, Québec Market Unit, Clarica

Rodrigue Julien, C.L.U., F. Pl., Chrétien, Julien et associés

Constance Lemieux, Director of the Bureau

Yves Millette, B.A., BA, LL.L, Chief Vice-President, Québec Affairs, Canadian Life and Health Insurance Association Inc. (CLHIA)

Madeleine Plamondon, Director of the Bureau

Alain Roch, BA, LL.L., Vice-President, Legal Affairs, Mutuelle des fonctionnaires, representing the Grouping of Québec Brokerage Firms

Martin Rochon, Director of the Bureau

Pierre Trépanier, Chief Executive Office, Québec, Royal Investment Fund

Joanne Vézina, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU:
Anne-Marie Beaudoin, Corporate Secretary

Nathalie G. Drouin, Director, Legal Affairs

Philippe Lebel, Attorney

Jean Mathieu, Director, Pre-Certification and Training

2000 ACTIVITY REPORT

This committee focussed on two objectives:

- to analyse the opportunity of creating a sector class for segregated funds in insurance of persons;
- to recommend a policy on the harmonization of the distribution of segregated and mutual funds so that one product will not be favoured to the detriment of the other, and to ensure that consumers will be well protected.

In the past year, the committee members met twice. Their two major realizations were the following:

Directive on limited powers of attorney and letters of authorization used by group savings plan brokerage firms within the scope of transactions bearing on mutual fund securities

In a concern for public protection and harmonization with the rules of the Commission des valeurs mobilières du Québec, the members of the ad hoc committee recommended to the board of directors the adoption of the opinion of the staff of the Commission concerning limited powers of attorney. This opinion is to the effect that group savings firms should stop using powers of attorney that give them unlimited and discretionary power on their clients' accounts. This recommendation was ratified by the board of directors of the Bureau at its meeting of June 16, 2000.

Analysis of the qualifications profiles required in order to distribute mutual funds and segregated funds

This analysis made it possible to identify adjustments to be made concerning the minimum training requirements and the professional development required to distribute such products. It also made it possible to define the training subjects on which harmonization between mutual funds and segregated funds should take place. This issue will be more thoroughly discussed in 2001 and 2002, especially with the Commission des valeurs mobilières du Québec.

This ad hoc committee was supported by two sub-committees that contributed to the attainment of the objectives. These two sub-committees were led by Messrs. Yves Millette and Pierre Trépanier.

AD HOC COMMITTEE ON THE IMPACTS OF THE ENHANCEMENT OF MINIMUM TRAINING

CHAIR OF THE COMMITTEE:
Louise Champoux-Paillé, President of the Bureau

MEMBERS:
Raymond Medza, General Manager, Insurance Bureau of Canada (IBC)

Pierre Michaud, First President, Indemnification, Société de portefeuille du groupe Desjardins assurances générales

Yves Millette, BA, LL.L, Chief Vice-President, Québec Affairs, Canadian Life and Health Insurance Association Inc. (CLHIA)

Lise Nadeau, Director of the Bureau until July 2000

Madeleine Plamondon, Director of the Bureau

Martin Rochon, Director of the Bureau

Réjean Ross, Director of the Bureau

Paul-André Simard, Director of the Bureau

Michel Tardif, General Manager, International Life Insurance Company, representing the Grouping of Québec Brokerage Firms

PERMANENT OFFICE STAFF OF THE BUREAU:
Anne-Marie Beaudoin, Corporate Secretary

Jean Mathieu, Director, Training and Pre-Certification

ADVISORY COMMITTEE

Joan Renée Bernard, Vice-President, Grouping of Brokerage Firms, Joan Bernard & associés inc.

Claude Brosseau, President, Bélanger, Brosseau et associés, Insurance and Financial Services Brokers

Louis Guay, Assistant Regional Vice-President, Insurance Bureau of Canada

Serge Lyras, President and Chief Operating Officer, Groupe Lyras inc.

Jacques Yelle, C.I.B., President, Labrecque, Roy, Yelle Inc.

2000 ACTIVITY REPORT

In July 1999, the board had adopted a regulation providing for the enhancement of the minimum training requirements for the obtainment of a certificate in insurance of persons and in damage insurance for October 1, 2002. Some people involved in the field had then expressed their fears as to the impact of such enhancement, in particular on the recruiting of new representatives. The board created this ad hoc committee, whose object was to make an in-depth analysis of the problem and to submit recommendations. During year 2000, the members of this committee met three times and brought out trails of adequate solutions.

The members of this committee were therefore the initiators of the new *Regulation respecting the issuance and renewal of representatives' certificates* regarding the minimum training that will be required beginning on October 1, 2002.

With respect to the damage insurance sector, a more thorough reflection as regards additional avenues for access to the career continued with the advisory committee, which is made up of the people whose names appear above.

Their major achievements were the following:

- Orientation proposal concerning the minimum training requirements beginning on October 1, 2002;
- Recommendations on the equivalent level of studies and the definition of pertinent experience;
- Study of a survey intended to identify the apprehended lack of damage insurance representatives in coming years.

MONITORING COMMITTEE

CHAIR OF THE COMMITTEE:
Louise Champoux-Paillé, President of the Bureau

MEMBERS:
Yves Michaud, Vice-President of the Bureau

Yves Morency, Director of the Bureau

Madeleine Plamondon, Director of the Bureau

GUEST:
Nathalie Saint-Pierre, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU:
Anne-Marie Beaudoin, Corporate Secretary

2000 ACTIVITY REPORT

This ad hoc committee was created in November 2000 in response to recent developments on the Canadian scene, in particular concerning the draft legislation of the Federal Government (C-38) (revision of the Banking Act) and the initiatives of the various cross-Canada groupings: the Joint Forum of Financial Market Regulators, the Canadian Securities Authorities (CSA) and the Canadian Council of Insurance Regulators (CCIR). Two of the major concerns of this committee are:

- The possible creation of a pan-Canadian structure to receive consumer complaints. It must be noted that such a new structure could duplicate the services already provided by the Information and Referral Centre of the Bureau and would lead to confusion on the part of consumers;
- The Ontario orientations as regards supervisory organizations in the field of financial services.

The committee met once and made an overview of the evolution of the situation in the past few months.

AD HOC COMMITTEE ON THE DISCLOSURE OF BUSINESS RELATIONSHIPS

CHAIR OF THE COMMITTEE:

Louise Champoux-Paillé, President of the Bureau

MEMBERS:

Robert Lagarde, President and Chief Executive Officer, Dale Parizeau LM inc.

Yvon Lamontagne, Director of the Bureau

Constance Lemieux, Director of the Bureau

Pierre Michaud, First Vice-President, Indemnification, Société de portefeuille du groupe Desjardins, assurances générales

Madeleine Plamondon, Director of the Bureau

Martin Rochon, Director of the Bureau

Nathalie Saint-Pierre, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU:

Anne-Marie Beaudoin, Corporate Secretary

Philippe Lebel, Attorney

2000 ACTIVITY REPORT

In 1999, the board of directors of the Bureau created an ad hoc committee to make recommendations with respect to the six sections of the Act dealing with disclosure. More specifically, these sections refer to the following disclosures:

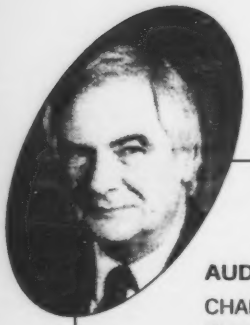
- Section 17, disclosure of the total remuneration if compensation is required;
- Section 26, disclosure of business relationships;
- Section 28, disclosure of the information with respect to insurance products;
- Section 31, disclosure of the designations of insurers;
- Section 32, disclosure of the bonds of exclusivity;
- Section 40, written disclosure of the dual capacity as a broker and a claims adjuster (insurer's mandatory).

As some regulations dealing with disclosure are subject to the approval of the Government, the latter chose to continue its reflection by entrusting to the Chambre de l'assurance de dommages a mandate to that effect. The Chamber tabled its recommendations with the Government in October 1999.

As these sections of the Act are still not in effect, the members of the board of directors of the Bureau decided, in March 2000, to begin a new reflection, considering the importance of this issue for the protection of the public. More specifically, the mandate of this committee was to identify new solutions to break the deadlock.

This committee met four times during the year. Further to the committee's work, a consensus was reached with respect to sections 17, 32 and 40. As for the other sections, they are still the object of legal research and consultation with the community.

Finally, this committee studied orientations concerning sections 431 and 433 of the Act dealing with the disclosure of remuneration in the case of accessory distribution. The purpose of these sections is to make sure that consumers are informed of the interest that motivates distributors in offering the insurance product. The aim of the committee was to recommend to the board of directors a directive on the interpretation of the term "remuneration" as well as on how to apply disclosure pursuant to section 433. The recommendations of this committee will be discussed by the board of directors in 2001.



AUDIT COMMITTEE

CHAIR OF THE COMMITTEE:
Charles Pelletier, Director of the Bureau

MEMBERS:
Louise Champoux-Paillé, President of the Bureau

Yves Morency, Director of the Bureau (replacing Lise Nadeau beginning in July 2000)

Lise Nadeau, Director of the Bureau (until July 2000)

Réjean Ross, Director of the Bureau

GUEST:
Alain Poirier, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU:
Marie Désilets, General Manager (until November 2000)

Manon Désy, Director, Administrative Services

2000 ACTIVITY REPORT

The mandate of the committee is to promote and facilitate the performance of audits within the Bureau. It submits opinions to the board of directors on the adequacy of control mechanisms, management tools, and internal reporting. It also coordinates the activities of external auditors.

The audit committee is an advisory committee that has the freedom to examine any document as necessary, and that is empowered to contact any person within the Bureau according to its needs. The committee must fulfill its mandate in particular as follows:

- It ensures follow-up of the recommendations consequent to an internal or external audit;
- It receives the reports of internal or external auditors and issues appropriate opinions to the members;
- It studies the findings and recommendations resulting from internal and external audits, especially the financial statements it recommends for adoption to the board of the Bureau.

During year 2000, in addition to carrying out its main responsibilities, the committee met twelve times in order to examine certain issues having a financial impact and to make recommendations to the board concerning these issues.

For instance, the committee examined the following subjects:

- The annual and quinquennial financial projections;
- The statements of financial results;
- The quarterly balance sheet;
- The closing balance sheets of the Conseil des assurances de personnes and the Conseil des assurances de dommages;
- The investments statement;
- A draft amendment to Regulation No. 14 respecting the annual fees and other fees payable;
- The status of the Bureau as regards the GST and the QST;
- The projects for the addition of spaces at our Montréal and Québec offices;
- A draft policy on the travel expenses of the directors;
- A draft policy on investments;
- The addition of personnel to meet the priorities of the Bureau;

- The budget required for the elections within the Chambers;
- The renewal of the directors' and the officers' liability insurance as well as damage insurance;
- A study on the preparation of a new procedure concerning the issuance of certificates and registrations;
- Investments in our computer systems;
- The depreciation for the costs of computer and training development;
- Salary increases for year 2000;
- Bank services agreements, including the awarding of a line of credit;
- The awarding of a contract to our auditors for the purpose of examining our invoicing system.

AD HOC COMMITTEE FOR AGENTS – BROKERS

CHAIR OF THE COMMITTEE:

Constance Lemieux, Director of the Bureau

MEMBERS:

Alain Poirier, Director of the Bureau

Réjean Ross, Director of the Bureau

Paul-André Simard, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU:

Anne-Marie Beaudoin, Corporate Secretary

Louise Champoux-Paillé, President

Nathalie G. Drouin, Director of Legal Affairs

Philippe Lebel, Attorney

2000 ACTIVITY REPORT

During the year that followed the one in which the *Act respecting the distribution of financial products and services* came into force, the Bureau had to take a stand on the advisability of carrying on with the application of the provisions of the *Act respecting market intermediaries* concerning the ownership of insurance of persons firms, their designations and the distinction between agents and brokers for representatives. To be able to make an enlightened recommendation on this issue, the committee first appointed an external firm to carry out a study on market trends. During the three meetings that followed, the committee worked on its recommendations.

In view of the evolution of the market, it appeared clear that the distinction between agents and brokers for individuals no longer corresponded with reality in insurance of persons and group insurance of persons, and that it should not be reintroduced.

As for the firms, many factors are likely to have an impact on their independence, including ownership linking, services offered to representatives, remuneration programs, policies and sources of funding, etc. However, the ownership linking that a financial institution may have is special, since it may bring a more permanent influence on the firm. This distinction must be made clear to consumers through a differentiation in the designations used. Thus, the committee recommended that the designation "brokerage firm" could still be used by firms held in a proportion of less than 20% without, for all that, disadvantaging the other firms that will present themselves simply as "firms" and without having the obligation to hold an exclusive contract as was the case during the transitional measures.

These recommendations were introduced in Regulation No. 7. This amended regulation was the object of a consultation and no objection was made. The amendments came into force on November 14, 2000.

Having completed its mandate, the committee was dissolved.

AD HOC COMMITTEE FOR A PROFESSIONAL LIABILITY INSURANCE FUND

CHAIR OF THE COMMITTEE:

Marcel Le Houillier, Director of the Bureau

MEMBERS:

Madeleine Plamondon, Director of the Bureau

Martin Rochon, Director of the Bureau (replacing Alain Poirier beginning in November 2000)

PERMANENT OFFICE STAFF OF THE BUREAU:

Nathalie G. Drouin, Director of Legal Affairs

Philippe Lebel, Attorney

2000 ACTIVITY REPORT

The mission of this committee was to prepare a report on the advisability of setting up an insurance fund to which firms, their representatives who are not their employees, independent representatives and independent partnerships would have to contribute.

In the last year, the ad hoc committee met three times. Further to a decision of the board of directors, this committee gave an actuarial firm the mandate to conduct a feasibility study with respect to the creation of such a fund. The members of the ad hoc committee analysed the conclusions of this study and tabled it with the board of directors for discussion purposes in 2001[1].

1 At their meeting of February 2001, the members of the board of directors of the Bureau agreed to postpone until the beginning of 2002 any discussion and decision regarding this issue.

COMMITTEE ON THE INFORMATION AND REFERRAL CENTRE

CHAIR OF THE COMMITTEE:
Nathalie Saint-Pierre, Director of the Bureau

MEMBERS:
Constance Lemieux, Director of the Bureau

Madeleine Plamondon, Director of the Bureau

Alain Poirier, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU:
Marie Désilets, General Manager (until November 2000)

Sophie Garon, Director, Information and Referral Centre

2000 ACTIVITY REPORT

Further to the creation of the Information and Referral Centre, the committee, in addition to ensuring the administrative follow-up, conducted extensive discussions with partners in order to define each one's role according particularly to their respective expertise. The chief objective was to provide the public with a centralized information and reference point of service for the field of insurance, as provided for in the Act.

For this purpose, the committee held many meetings in collaboration with the Inspector General of Financial Institutions, the Canadian Life and Health Insurance Association Inc., the Insurance Bureau of Canada, the Commission des valeurs mobilières du Québec, the Institut québécois de planification financière, the Chambre de la sécurité financière and the Chambre de l'assurance de dommages. This approach made it possible to develop a satisfactory work process for all partners.

Such meetings will be held annually in order to ensure a follow-up and to solve, where applicable, any problems that might occur.

Furthermore, the committee continued its discussions concerning the "Specific Notice of Consent" (section 92 of the Act) which was, as a matter of fact, amended. Consultations were held at the end of year 2000, and this new version should be in effect in 2001.

On the other hand, the committee also worked on the definition on what constitutes a complaint for the keeping of the register of complaints, a new obligation for firms, independent representatives and independent partnerships. This issue should therefore be settled in 2001.

AD HOC COMMITTEE ON THE PRODUCTS TO BE DETERMINED FOR THE ORDER PRESCRIBED UNDER SECTION 427 OF THE ACT

CHAIR OF THE COMMITTEE:
Paul-André Simard, Director of the Bureau

MEMBERS:
René Auclair, C.I.B., Assurance Auclair inc.

Luc Grégoire, B.Sc., C.I.B., Vice-President and Chief Operating Officer, Martin Assurance & Gestion de risques inc.

Serge Lyras, C.I.B., F.I.A.C., President and Chief Operating Officer, Groupe Lyras inc.

Nathalie Saint-Pierre, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU :
Nathalie G. Drouin, Director of Legal Affairs

Isabelle Trottier, Attorney

2000 ACTIVITY REPORT

This ad hoc committee was set up to study the problems relative to distribution without a representative, in particular to determine the damage insurance products that should be excluded from this type of distribution.

The members of this committee met six times in 2000. Their efforts were mainly focussed on the "MaxNeige" product, an individual civil liability insurance offered by the Fédération des clubs de motoneigistes du Québec inc., which was sold with the right of access to the trails.

The mandate of the committee consisted basically of questioning the legality of this insurance offer, all the more so since this product was sold by volunteers who were not representatives within the meaning of the *Act respecting the distribution of financial products and services*.

After consulting the various people involved in this case, the committee considered that this distribution was illegal under the Act. At the request of the Ministère des Finances, it also recommended to the board of directors an unfavourable opinion concerning the distribution of this product (section 428 of the Act).[1]

The Ministère des Finances also requested the committee to draw up a list of damage insurance products that should not be the object of distribution without a representative. Indeed, section 427 of the Act allows the Government to exclude certain products that would normally be distributed without a representative. This issue has not been finalized and the committee will have to come to a definitive decision in 2001.

The committee should also examine the legal nature of "replacement guarantee contracts" sold by automobile dealers and that are similar to "replacement cost insurance contract" offered by insurers. It will also have to take a stand on the scope and the impact of the distribution without a representative.

1 In September 2000, the Government however adopted an order allowing the Federation to continue to offer the "MaxNeige" product to all of its members, but this time as a "distributor" within the meaning of the Act.

COMMUNICATIONS COMMITTEE

CHAIR OF THE COMMITTEE:
Yves Michaud, Vice-President of the Bureau

MEMBERS:
Claude Bédard, President, Exelmans Productions

Paul-André Simard, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU:
Josée Casaubon, Director of Public Relations

Marie Désilets, General Manager (until November 2000)

Julie Guay, Director of Production, Communications

2000 ACTIVITY REPORT

The committee met three times in 2000. The year began with the appointment of a new two-headed communications branch: production and public relations. The Production Branch takes on the realization of publication projects and communications with the industry, whereas the Public Relations Branch manages the Bureau's public relations and relations with the media, as well as communications intended for consumers.

The committee members hoped that in 2000 actions would be focussed on consumers to allow them to have a better idea of the Bureau and its Information and Referral Centre.

A first meeting with consumer associations held in September 2000 made it possible to enhance public awareness of the Bureau and its Information Centre as a clearinghouse for complaints and an intermediary for the needs of the general public. The organizations that are members of the round table of the Information and Referral Centre were also invited to take part in this meeting.

A printed document intended for the general public and explaining the mission of the Bureau was produced and distributed to all of the consumer associations.

Year 2000 marked the first participation of the Bureau in two major gatherings of the industry that were both held in November: the Convention of the Grouping of Québec Brokerage Firms and the Congrès annuel de l'assurance et des produits financiers (*the Annual Insurance and Financial Products Convention*). The stand designed by the communications team was presented there for the first time.

In accordance with the action plan of the Communications Branch, the Bureau's Website continued to be developed in 2000. The new structure of the site, made available in July, presents headings intended for both the general public and the people involved in the financial products and services industry.

The committee considers that the multidisciplinary nature of the Bureau must be reflected in the design of its Website, its easy access and conviviality.

AD HOC COMMITTEE ON FINANCIAL PLANNING

CHAIR OF THE COMMITTEE:

Louise Champoux Paillé, President of the Bureau, replacing Martin Rochon beginning in December 2000

MEMBERS:

Guy Bélisle, Notary, Bélisle, Dubé, Notaires

Denis Boucher, F. Pl., Groupe conseil Aon, Former President of the Institut québécois de planification financière 1999-2000

Mary Muldowney, MBA, Director Training and Studies, Institute of Canadian Bankers

Alain C. Roy, Director of the Bureau, replacing Martin Rochon beginning in December 2000

Réjean Ross, Director of the Bureau

PERMANENT OFFICE STAFF OF THE BUREAU:

Anne-Marie Beaudoin, Corporate Secretary

Philippe Lebel, Attorney

2000 ACTIVITY REPORT

The committee met four times this year.

The discussions of the committee dealt mainly with the monitoring of the agreements with the professional orders, and the renewal of these agreements for a longer period of time.

The committee proposed a process, a methodology, and recommended certain principles to the board of directors for the renewal of these agreements. More specifically, the committee hopes that the agreements will illustrate and favour consistency in the supervision of all financial planners in Québec, with respect to their jurisdictions. Some of the issues discussed by the committee were the same as those that are dealt with by the standing round table of professional orders:

- Similar titles;
- Incompatible occupation;
- Compulsory professional development;
- A review of the situation regarding the first agreement

By the end of the year, only the Ordre des administrateurs agréés du Québec had concluded an agreement for a three-year period, which was published in French in Bulletin No. 12 - March 2001. As regards the Ordre des comptables agréés du Québec, the *Ordre des comptables généraux licenciés du Québec*, and the *Chambre des notaires*, they chose to renew the agreement on a shorter term, namely until June 1, 2001, for the time required to continue negotiations towards a longer-term agreement.

In addition to the foregoing, the following subjects were also discussed:

- Rules for the reinstatement of the financial planning certificate;
- Training for the financial planning sector.

It should be noted that, this year, the committee welcomed a representative from the banking community, who is highly interested in financial planning.

As the negotiation of the agreements with certain orders is going on in 2001, the committee will continue to be present in this process.

COMMITTEE ON ACCESS TO INSURANCE FOR ALL INDIVIDUALS REGARDLESS OF INCOME – INSURANCE OF PERSONS

CHAIR OF THE COMMITTEE:
Madeleine Plamondon, Director of the Bureau

MEMBERS:
Constance Lemieux, Director of the Bureau

Nathalie Saint-Pierre, Director of the Bureau

Martin Rochon, Director of the Bureau (replacing Alain Poirier beginning in November 2000)

PERMANENT OFFICE STAFF OF THE BUREAU:
Anne-Marie Beaudoin, Corporate Secretary

Nathalie G. Drouin, Director of Legal Affairs

2000 ACTIVITY REPORT

This committee was first set up for the purpose of examining whether insurance of persons products are available for all Quebecers.

To this mandate was added the responsibility of making recommendations to the board with respect to requests for opinions submitted by the Minister pursuant to section 428 of the Act.

This committee therefore became a standing committee on May 26, 2000, further to a proposal of the board of directors.

The committee met on January 20, 2000, and took the testimonies of representatives of the Régie des rentes du Québec, the Canadian Life and Health Insurance Association Inc., an insurance of persons company and a financial security and group annuity advisor.

The committee met on August 14, 2000, and was favourable to the adoption of an order under section 428 of the Act, for the purpose of allowing the Sociétés nationales des Québécoises et Québécois and the Sociétés Saint-Jean-Baptiste to act as distributors and to offer adhesion to a group insurance program, provided the protection offered meets the following conditions:

- It must be a life insurance coverage only, offered on an optional basis;
- The maximum amount of coverage must not exceed $15,000 per individual, for the members or his family.

Furthermore, other insurance products are still considered by the committee, namely the "AcciAide" and the "Service de protection santé SNQL" products. Once this study is completed, the committee will make its recommendations to the board of directors, which will make its opinion known, pursuant to section 428 of the Act. The Government will probably make its views known concerning this order once the Bureau has given its overall opinions concerning the products offered by the Sociétés.

On another matter, the committee submitted to the board of directors a recommendation concerning clear contracts, which was retained:

1. Considering the recommendation on clarity in the contracts provided for in the report of the Task Force on the Future of the Canadian Financial Services Sector (Mackay Report) ;
2. Considering that the conclusions of this report were used as a reference during the preparation of the regulations of the Bureau;
3. Considering that the Bureau reviews the enforcement of the requirements of its Regulation No. 4 respecting distribution without a representative, that is, whether the texts of a distribution guide are drafted clearly and simply in order to transmit an unambiguous message.

Upon duly a seconded motion, it is resolved that the Bureau, pursuant to its authority and jurisdiction over the distribution of financial products and services, should point out that the Act and its regulations are part of the same commitment to transparency and clear language in the contracts, as the recommendation in the report of the Task Force on the Future of the Canadian Financial Services Sector (Mackay Report).

STANDING ROUND TABLE OF PROFESSIONAL ORDERS

PARTICIPANTS:

Ordre des administrateurs agréés du Québec

Brigitte Dupriez, Coordinator for Professional Services

Pierre Landry, General Manager

Ordre des comptables agréés du Québec

Christiane Brizard, Director, Legal Services

Ginette Lussier-Price, Director, Inspection and Professional Affairs

Ordre des comptables généraux licenciés du Québec

Alain Girard, President and Chief Executive Officer

Gilles Nolet, Executive Vice-President

Chambre des notaires

Nancy Chamberland, Director of Legal Services (until November 2000)

Richard Gagnon, General Manager

Diane Gareau, Notary, replacing Nancy Chamberland

PERMANENT OFFICE STAFF OF THE BUREAU:

Anne-Marie Beaudoin, Corporate Secretary

Louise Champoux-Paillé, President

Philippe Lebel, Attorney

2000 ACTIVITY REPORT

The professional orders that signed an agreement undertook with the Bureau to take part in a standing round table to follow up on the application of the agreement as well as the harmonization of the rules applicable to financial planners.

In the past year, the members of this table met four times. The main issues discussed were the following:

- similar titles;
- incompatible occupations;
- a review of the situation regarding the first agreement;
- the orientations for the second agreement, considering the experience acquired.

The members of this round table also discussed issues regarding the conditions of exercise and the professional development with the participation of the Chambre de la sécurité financière and the Institut québécois de planification financière.

TASK FORCE ON TRAINING IN FINANCIAL PLANNING

CHAIR:

Louise Champoux-Paillé, President of the Bureau

MEMBERS:

Nancy Brassard, General Manager, Institut québécois de planification financière

Micheline Bolduc, Development Consultant, Direction générale de la formation continue, Université Laval

Nancy Chamberland, Director of Legal Services, Chambre des notaires (until November 2000)

Diane Gareau, Notary, Direction des services juridiques, Chambre des notaires (replacing Nancy Chamberland)

Guylaine Hamel, Training Consultant, Direction Développement des compétences, Confédération des caisses populaires et d'économie Desjardins du Québec

Pierre A. Hébert, BA, DMV, C. Adm., Fellow F. Pl., Group Savings Representative, Financial Security Advisor, Services financiers Diversifolio ltée

Mary Muldowney, MBA, Director, Training and Studies, Institute of Canadian Bankers

Nathalie Saint-Pierre, Director of the Bureau

Carole Turcotte, F.C.I.A., F.S.A., Professor and Director, Certificats en administration de services, Université du Québec à Montréal

Louise Viau, C.L.U., F. Pl., Services financiers Kingsbury-Viau

PERMANENT OFFICE STAFF OF THE BUREAU:

Carole LaVack, Project Manager, Training

Philippe Lebel, Attorney

2000 ACTIVITY REPORT

On April 13, 2000, the board of directors decided to defer training in the financial planning sector for a six-month period. This decision was made in view of the different problems raised by such training, the apprehended lack of training supervisors and the difference in treatment between the financial planners of the Bureau and those who are members of the professional orders that signed an agreement with the Bureau. By the same token, the board agreed to set up a task force made up of our various partners in order to take a new stand and to redefine, where applicable, whether a training period is required for this sector.

The members of the task force met four times. Their reflection focussed on the identification of the added value of a training period in financial planning, considering in particular the minimum training required to enter the career and the wide-ranging experience acquired by future financial planners.

The members of the task force should submit their recommendations in 2001. In the meantime, the members of the board of directors decided to extend the moratorium until further notice.

Auditors' Report

To the members of the board of directors of the **Bureau des services financiers**

We have audited the balance sheet of the **Bureau des services financiers** as at December 31, 2000, and the statements of revenue and expenditures, accrued revenue surplus and cash flow for the year then ended. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bureau des services financiers as at December 31, 2000, and the results of its operations and cash flow for the year ended at this date in accordance with generally accepted accounting principles in Canada.

Samson Bélair
Deloitte & Touche

Chartered Accountants

February 23, 2001

M121

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Statement of Revenue and Expenditures

Year ended December 31, 2000

	2000	1999
Revenue	$	$
Contributions	5,528,119	1,159,401
Other services	61,423	3,770
Analysis of distribution guides	26,120	91,800
Examinations	497,729	131,212
Study of files	741,331	71,245
Sales of manuals and forms	455,986	204,299
Dues – Centre collégial de formation à distance	44,760	23,223
Other income — interest	143,698	54,008
Fees of the Chambers and Grouping of Québec brokerage firms	27,422	11,295
Loss on the disposal of assets	(440)	-
	7,536,148	1,750,259
EXPENDITURES		
Direct salaries	3,822,695	2,057,178
External professional services	276,520	504,798
Fees relative to the Act	(483,321)	437,500
Travel expenses	205,839	277,067
Fringe benefits	589,015	230,752
Share of the commitment of the Commission des valeurs mobilières du Québec	-	214,415
Information and telephone systems	16,596	-
Publication and communications	131,011	185,668
Rent	366,783	145,704
Mail and courier services	210,280	136,948
External costs - manuals and forms	148,407	118,094
Directors' fees	83,798	118,094
Committee members' fees	46,900	52,700
Telecommunications	213,049	114,135
Translation	26,529	80,824
Office supplies and stationery	144,538	66,451
Interest on bank loans	-	66,327
Expenses relative to college studies attestations, training and examinations	-	57,609
Centre collégial de formation à distance	-	46,576
Bank charges	57,824	27,746
Maintenance and repairs	34,452	24,809
Advertising	35,243	23,463
Rental of equipment	18,597	19,223
Insurance	40,230	18,746
Examination of candidates	136,207	15,740
Taxes and permits	62,422	11,704
Training expenses	18,471	4,165
Training material	177,605	2,440
Fees relative to illegal practice	21,628	4,105
Doubtful accounts	9,611	-
Training programs	20,268	-
Amortization – First set-up expenses	624,482	173,595
Amortization — Fixed assets	426,033	68,940
	7,481,712	5,305,796
First set-up expenses	-	(3,336,190)
	7,481,712	1,969,606
SURPLUS REVENUE (EXPENDITURES)	54,436	(219,347)

Statement of Accumulated Revenue Surplus

Year ended December 31, 2000

	2000	1999
	$	$
Balance at beginning of year	2,258,695	-
Transfer of net assets received from the organizations that were replaced (note 1)		
Conseil des assurances de dommages	-	2,223,644
Conseil des assurances de personnes	-	254,398
Surplus revenue (expenditures)	54,436	(219,347)
Balance at end of year	2,313,131	2,258,695

Balance Sheet as at December 31, 2000

CURRENT ASSETS		
Cash	51,289	33,075
Short-term investments (note 4)	3,095,000	1,445,000
Accounts receivable (note 5)	272,656	2,598,500
Inventory	119,150	134,550
Prepaid expenses	151,879	60,578
	3,689,974	4,271,703
FIXED ASSETS (note 6)	1,728,897	737,845
FIRST SET-UP EXPENSES (note 7)	2,341,806	3,298,288
	7,760,677	8,307,836
CURRENT LIABILITIES		
Accounts payable and accrued expenses (note 8)	1,892,042	2,414,582
Deferred income	2,657,778	3,634,559
Income collected in advance (note 8)	897,726	-
	5,447,546	6,049,141
ACCUMULATED REVENUE SURPLUS	2,313,131	2,258,695
	7,760,677	8,307,836

On behalf of the Board,

Louise Champoux-Paillé, President

Claude Pelletier, Director

Statement of Revenue and Expenditures

Year ended December 31, 2000

	2000	1999
Revenue	**$**	**$**
Contributions	**5,528,119**	1,159,401
Other services	**61,423**	3,770
Analysis of distribution guides	**26,120**	91,800
Examinations	**497,729**	131,212
Study of files	**741,331**	71,245
Sales of manuals and forms	**465,986**	204,299
Dues – Centre collégial de formation à distance	**44,760**	23,223
Other income — interest	**143,698**	54,008
Fees of the Chambers and Grouping of Québec brokerage firms	**27,422**	11,295
Loss on the disposal of assets	**(440)**	-
	7,536,148	1,750,259
EXPENDITURES		
Direct salaries	**3,822,695**	2,057,178
External professional services	**276,520**	504,798
Fees relative to the Act	**(483,321)**	437,500
Travel expenses	**205,839**	277,067
Fringe benefits	**589,015**	230,752
Share of the commitment of the Commission des valeurs mobilières du Québec	**-**	214,415
Information and telephone systems	**16,596**	-
Publication and communications	**131,011**	185,668
Rent	**366,783**	145,704
Mail and courier services	**210,280**	136,948
External costs - manuals and forms	**148,407**	118,094
Directors' fees	**83,798**	118,094
Committee members' fees	**46,900**	52,700
Telecommunications	**213,049**	114,135
Translation	**26,529**	80,824
Office supplies and stationery	**144,538**	66,451
Interest on bank loans	**-**	66,327
Expenses relative to college studies attestations, training and examinations	**-**	57,609
Centre collégial de formation à distance	**-**	46,576
Bank charges	**57,824**	27,746
Maintenance and repairs	**34,452**	24,809
Advertising	**35,243**	23,463
Rental of equipment	**18,597**	19,223
Insurance	**40,230**	18,746
Examination of candidates	**136,207**	15,740
Taxes and permits	**62,422**	11,704
Training expenses	**18,471**	4,165
Training material	**177,605**	2,440
Fees relative to illegal practice	**21,628**	4,105
Doubtful accounts	**9,611**	-
Training programs	**20,268**	-
Amortization – First set-up expenses	**624,482**	173,595
Amortization — Fixed assets	**426,033**	68,940
	7,481,712	5,305,796
First set-up expenses	**-**	(3,336,190)
	7,481,712	1,969,606
SURPLUS REVENUE (EXPENDITURES)	**54,436**	(219,347)

Statement of Accumulated Revenue Surplus

Year ended December 31, 2000

	2000 $	1999 $
Balance at beginning of year	2,258,695	-
Transfer of net assets received from the organizations that were replaced (note 1)		
Conseil des assurances de dommages	-	2,223,644
Conseil des assurances de personnes	-	254,398
Surplus revenue (expenditures)	54,436	(219,347)
Balance at end of year	2,313,131	2,258,695

Balance Sheet as at December 31, 2000

CURRENT ASSETS		
Cash	51,289	33,075
Short-term investments (note 4)	3,095,000	1,445,000
Accounts receivable (note 5)	272,656	2,598,500
Inventory	119,150	134,550
Prepaid expenses	151,879	60,578
	3,689,974	4,271,703
FIXED ASSETS (note 6)	1,728,897	737,845
FIRST SET-UP EXPENSES (note 7)	2,341,806	3,298,288
	7,760,677	8,307,836
CURRENT LIABILITIES		
Accounts payable and accrued expenses (note 8)	1,892,042	2,414,582
Deferred income	2,657,778	3,634,559
Income collected in advance (note 8)	897,726	-
	5,447,546	6,049,141
ACCUMULATED REVENUE SURPLUS	2,313,131	2,258,695
	7,760,677	8,307,836

On behalf of the Board,

Louise Champoux-Paillé, President

Charles Pelletier, Director

Cash Flow Statement

Year ended December 31, 2000

	2000 $	1999 $
OPERATING ACTIVITIES		
Surplus revenue (expenditures)	54,436	(219,347)
Adjustments for:		
Increase in deferred charges	332,000	(3,336,190)
Depreciation of fixed assets	426,033	68,940
Amortization of deferred charges	624,482	173,595
Loss on disposal of assets	440	-
	1,437,391	(3,313,002)
Change in non-cash working capital items (note 11)	1,648,348	2,580,473
Cash flow from operating activities	3,085,739	(732,529)
INVESTING ACTIVITIES		
Product from the disposal of fixed assets	3,000	-
Acquisition of fixed assets	(1,420,525)	(680,423)
Cash flow from investing activities	(1,417,525)	(680,423)
FINANCING ACTIVITIES		
Loans from the Ministère des Finances	-	(503,698)
Cash flow from financing activities	-	(503,698)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,668,214	(1,916,650)
CASH AND CASH EQUIVALENTS ORIGINATING FROM THE ORGANIZATIONS THAT WERE REPLACED	-	2,944,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,478,075	449,872
CASH AND CASH EQUIVALENTS AT YEAR END (note 11)	3,146,289	1,478,075

Cash Flow Statement

Year ended December 31, 2000

	2000 $	1999 $
OPERATING ACTIVITIES		
Surplus revenue (expenditures)	54,436	(219,347)
Adjustments for:		
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CASH AND CASH EQUIVALENTS AT YEAR END (note 11)	3,146,289	1,478,075

Notes to Financial Statements

Year ended December 31, 2000

1. DESCRIPTION OF THE BUREAU

Created under Bill 188 which was adopted on June 19, 1998, the mission of the Bureau des services financiers is to ensure public protection as regard the distribution of financial products and services in the fields of activity under its authority, namely: insurance of persons, group insurance of persons, damage insurance, claims adjustment, financial planning, group savings plan brokerage, investment contracts brokerage and scholarship plans brokerage.

In accordance with the Act, the Bureau is a legal person. It is not a public body, a government body or agency, or a government corporation within the meaning of the *Financial Administration Act*, the *Act respecting the Ministère des Affaires internationales, de l'Immigration et des Communautés culturelles*, the *Act respecting the Ministère du Conseil exécutif* or the *Auditor General Act*.

When certain provisions of Bill 188 came into force, the property, rights and obligations of the Conseil des assurances de personnes and the Conseil des assurances de dommages were transferred to the Bureau des services financiers.

2. CHANGE IN ACCOUNTING PRINCIPLES

During the fiscal year, the Bureau applied the new recommendations of the Canadian Institute of Chartered Accountants with respect to future employee benefits on a prospective basis, without adjustment of previous fiscal years.

3. ACCOUNTING POLICIES

The financial statements were prepared in accordance with generally accepted accounting principles in Canada and take into account the following principal accounting policies:

CASH FLOW

In accordance with the recommendations of the Canadian Institute of Chartered Accountants with respect to cash flow statements, cash out of operations is excluded from the Cash Flow Statement and is presented elsewhere in the Financial Statements. Cash equivalents are limited to investments that are easily convertible into a known amount of cash, the value of which is not likely to change significantly.

SHORT-TERM INVESTMENTS

Short-term investments are evaluated at cost.

FIRST SET-UP EXPENSES

Expenses for the first set-up were incurred for the establishment of the Bureau. These expenses represent mainly the remuneration and the professional fees for the purpose of hiring human resources, and expenses relative to the holding of the first meetings of the board. These expenses are amortized over a five-year period from the date on which the Bureau collects contributions from its members, in accordance with the provisions of Bill 188 respecting the distribution of financial products and services, that is, October 1, 1999.

INVENTORY

The inventory, which consists mainly of training manuals, is evaluated at the lesser of the cost or the replacement cost. The average cost method is used in calculating the costs.

FIXED ASSETS

Fixed assets are accounted for at cost. The amortization is calculated in accordance with the straight-line method of depreciation over the following terms:

Office furniture and equipment	*5 years*
Data processing equipment, software and systems development	*3 years*
Training material	*3 years*
Leasehold improvements	*Remaining term of the leases*

Year ended December 31, 2000

3. ACCOUNTING POLICIES (cont'd)

INCOME RECOGNITION

Income from contributions

Income from contributions is accounted for on a fiscal year basis. The amounts invoiced for a period exceeding the end of the fiscal year are accounted for as deferred income.

Income other than contributions

Income other than contributions is accounted for at the time when the supply is delivered or the service is rendered.

Income collected in advance

Income collected in advance represents the amounts cashed on income belonging to the fiscal year starting January 1, 2001.

4. SHORT-TERM INVESTMENT

Investments are made up of term deposits bearing interest at rates varying between 5.0% and 5.8% and have expiry dates in January and November 2001.

5. ACCOUNTS RECEIVABLE

	2000	1999
	$	$
Contributions	136,412	2,405,739
Other amounts to be collected	136,244	192,761
	272,656	2,598,500

6. FIXED ASSETS

	Cost	Accumulated depreciation	Net value 2000	Net value 1999
	$	$	$	$
Office furniture and equipment	360,573	76,145	284,428	168,832
Data processing equipment and software	686,456	187,490	498,966	256,722
Systems development	803,110	191,061	612,049	241,899
Training material	182,434	9,120	173,314	-
Leasehold improvements	191,043	30,903	160,140	70,392
	2,223,616	494,719	1,728,897	737,845

7. FIRST SET-UP EXPENSES

	Cost	Accumulated depreciation	Net value 2000	Net value 1999
	$	$	$	$
First set-up expenses	3,139,883	798,077	2,341,806	3,298,288

Year ended December 31, 2000

8. ACCOUNTS PAYABLE AND ACCRUED FEES

	2000	1999
	$	$
Accounts payable ledger	470,376	342,765
Accrued fees	853,601	1,753,953
Owing to the Fonds d'indemnisation des services financiers	198,581	7,499
Chambre de la sécurité financière	64,666	152,792
Chambre de l'assurance de dommages	304,818	138,754
Grouping of Québec brokerage firms	-	18,819
	1,892,042	2,414,582

9. OWING TO THE MINISTÈRE DES FINANCES DU QUÉBEC AND BANK LOANS

Owing to the Ministère des Finances du Québec

Temporary loans from the finance fund authorized under order 105-2001, that may reach a maximum of $3,000,000 at the one-month banker's acceptance interest rate, to which is added a 0.30% margin. Also, the total of such current temporary loans not yet refunded may not exceed this authorized maximum amount until December 31, 2002.

10. UNCERTAINTY RELATIVE TO THE MEASURE

Within the scope of the establishment of Bill 188 as well as the terms and conditions of application of this legislation, the Bureau des services financiers entered, in 1999, a reserve of $437,500 to cover the expenses that would be transferred to it by the Québec government and regulatory organizations. On the other hand, the Bureau kept reserves for a total of $540,000, that were previously accounted for by the merged organizations, in this instance the Conseil des assurances de dommages and the Conseil des assurances de personnes.

Further to the receipt of new convincing elements dated February 23, 2001, management deposited during the year, in the accounts originally debited, the balance of the reserves unpaid at that date, or $953,500. This reserve reversal represents the best estimate that the management of the Bureau can make on the basis of the information that is now available. Should the actual data differ from the estimates, the adjustment will be made in the fiscal year then in progress.

11. INFORMATION COMPLEMENTARY TO THE CASH FLOW STATEMENT

Change in non-cash working capital items

	2000	1999
	$	$
Decrease (increase) in current assets		
Accounts receivable	2,325,844	(1,488,573)
Inventories	15,400	(81,132)
Prepaid expenses	(91,301)	(40,442)
Increase (decrease) in current liabilities		
Accounts payable and accruals	(522,540)	903,062
Deferred income	(976,781)	3,287,558
Income collected in advance	897,726	-
	1,648,348	2,580,473

Year ended December 31, 2000

3. ACCOUNTING POLICIES (cont'd)

INCOME RECOGNITION

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11. INFORMATION COMPLEMENTARY TO THE CASH FLOW STATEMENT (cont'd)

Net assets received from the organizations replaced

During the fiscal year, the Bureau received, without offering compensation, the net assets of the organizations it replaces. Such net assets are distributed as follows:

	2000 $	1999 $
Current assets, including cash on hand	-	4,127,714
Fixed assets	-	126,362
Current liabilities taken charge of	-	(1,776,034)
	-	2,478,042
Cash and cash equivalents		
Cash on hand	51,289	33,075
Short-term investments	3,095,000	1,445,000
	3,146,289	1,478,075
INTEREST PAID		
Interest	-	66,327

12. COMMITMENTS

Under the operating lease for the rental of its offices located in Québec City and Montréal as well as for the rental of office equipment, the Bureau undertook to pay $2,063,872 until 2005. Payments to be made in the next five fiscal years are spread out as follows:

2001	2002	2003	2004	2005
$519,348	$521,960	$494,991	$253,235	$274,338

On the other hand, under a group retirement savings plan, the Bureau undertook to pay an amount equal to the contribution of employees that meet the employer's contribution conditions, up to 5% of the employee's annual salary.

13. FUTURE FRINGE BENEFITS

Pursuant to employment contracts concluded with its employees, the Bureau provides for severance pay. The obligations, assets, charges as well as the basic data relative to the benefits offered to the employees are determined as follows:

OBLIGATIONS AS REGARDS THE INDEMNITIES PAYABLE	
Current service cost and balance at the end of the fiscal year	$26,000
The significant actuarial assumptions retained by the company to evaluate its obligations as regards severance pays are the following:	
Discount rate	5%
Growth rate of remuneration	2.5%
Net charge to the corporation as regards severance pays	$26,000

11. INFORMATION COMPLEMENTARY TO THE CASH FLOW STATEMENT (cont'd)

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FONDS D'INDEMNISATION DES SERVICES FINANCIERS

2000 ANNUAL REPORT

Fonds d'indemnisation
des services financiers

TABLE OF CONTENTS

2000 ANNUAL REPORT OF THE FONDS D'INDEMNISATION DES SERVICES FINANCIERS

Covering Letter	63
Mission	64
Board of Directors	64
President's Message	65
Auditor's Report	71
Financial Statements	72

Ms. Pauline Marois

Deputy Premier and
Minister of State for the Economy and Finance

Government of Québec

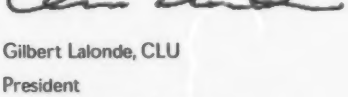
Parliament Buildings, Québec

Dear Madam:

I am honoured to present to you the Annual Report of the Fonds d'indemnisation des services financiers for the year ended December 31, 2000.

This Report gives an account of our main activities and achievements for the year 2000 and includes the audited financial statements of the Compensation Fund.

Respectfully yours,



Gilbert Lalonde, CLU

President
Financial Security Advisor
Group Savings Plan Representative

Mission of the Fonds d'indemnisation des services financiers

The mission of the Fonds d'indemnisation des services financiers is to ensure public protection. It determines whether the claims that are submitted to it are eligible for compensation, and the amount of compensation to be paid. For this purpose, it administers the sums of money deposited with it to compensate the victims of fraud, fraudulent tactics or embezzlement for which a firm, an independent representative or an independent partnership is responsible.

Members of the Board of Directors of the Fonds d'indemnisation des services financiers for Year 2000

Sitting :
Chantal Doucet, Gilbert Lalonde, Lise Tremblay, John Ruggieri

Standing :
Aline Duplessis, Pierre A. Hébert, Claude Brosseau

PRESIDENT

Gilbert Lalonde, C.L.U., Financial Security Advisor, Group Savings Plan Representative

VICE-PRESIDENT

Lise Tremblay, Attorney, Director, École du Barreau de Montréal

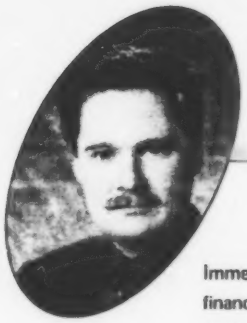
Claude Brosseau, A.I.B., Bélanger, Brosseau & associés, Damage Insurance and Financial Services Brokers

Chantal Doucet, A.I.I.C., Claims Adjuster, Denis A. Rochette inc.

Aline Duplessis, Project Manager, Service d'aide au consommateur

Pierre A. Hébert, B.A., D.M.V., C. Adm., F. Pl., Stratégie financière Impact

John Ruggieri, C.L.U., F. Pl., DiCaprio Ruggieri Inc. Insurance Services



President's Message

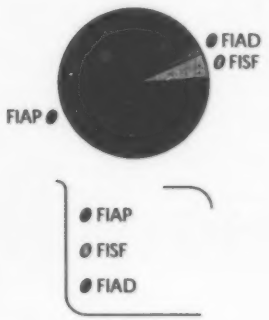
Immediately after the last months of activities of 1999, the Fonds d'indemnisation des services financiers set out to define the major objectives it wanted to reach in 2000. With an ever present concern for accrued public protection and a commitment to ensure its credibility with the industry, the Compensation Fund proceeded concurrently with a study process of the claims and a thorough reflection on the management of its assets.

It should be noted in this respect that the Fonds d'indemnisation des services financiers (FISF) must manage the assets of the following funds: the Fonds d'indemnisation en assurance de personnes (FIAP), the Fonds d'indemnisation en assurance de dommages (FIAD), the Fonds d'indemnisation des planificateurs financiers (FIPF), as well as the assets that make up the FISF. Each of the funds concerned by the claims bear the costs of the settlement of indemnities to victims. However, the sums required for the operation of the funds are taken out of the FISF.

For the year just elapsed, the members of the board of directors and of the office staff examined the various claims files that were submitted to them. Further to this analysis, it was clearly established that the Fonds d'indemnisation en assurance de personnes to which the highest number of claims are submitted. Here are the findings.

ANALYSIS OF THE CLAIMS

Claims files opened in year 2000



FIAP : Fonds d'indemnisation en assurance de personnes

FIAD : Fonds d'indemnisation en assurance de dommages

FISF : Fonds d'indemnisation des services financiers

FIPF : Fonds d'indemnisation des planificateurs financiers

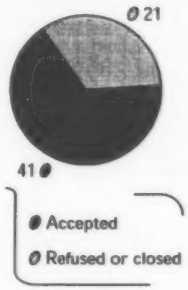
110 claims files were opened in 2000

- 102 files at the FIAP (involving market intermediaries in insurance of persons/financial planners authorized by the Conseil des assurances de personnes)
- 2 files at the FIAD (involving market intermediaries in damage insurance or claims adjusters authorized by the Conseil des assurances de dommages)
- 6 files at the FISF (involving the Bureau des services financiers as well as their representatives in all the sectors supervised by the latter)
- No file at the FIPF (involving "orphan" financial planners certified by the IGIF)

The complete data appears at the end of this text.

DECISIONS OF THE COMPENSATION FUND IN 2000

Cases that were the object of a decision



A total of 62 cases were the object of a decision by the Compensation Fund in 2000: 37 files were opened in 2000 and 16 files dated from 1999. In addition, 9 files had been opened by the FIAD before October 1, 1999, for which a decision was suspended because of the September 1, 1991 criterion.

41 claims were accepted. Apart from the eight cases involving the FIAD, the claims accepted all involved the assets of the FIAP. In fact, as the frauds alleged in the claims submitted had been committed before October 1, 1999, the amounts used for the payment of the claims were taken out of the separate assets made up by these former funds.

Total amount paid : $437,144.33

HIGHLIGHTS

- Closed by the FIAP, 30 files were formally reopened at the beginning of the year. Actually, an out-of-court settlement was reached in the fall of 1999 with a claimant who had appealed from a decision of this Fund, through a petition for declaratory judgement. The FIAP had rejected her claim because the fraud of which she had been a victim was committed before September 1, 1991, the date on which the Act creating this Fund came into force.
- In a concern for equity for all the claimants whose claims had been rejected or suspended by the FIAP and the FIAD on the basis of the September 1, 1991 criterion, the Compensation Fund chose to review these cases.
- Opened at the very end of year 2000, 41 claims files involve the same individual and his insurance of persons firm. The losses incurred by the claimants would amount to more than 2.8 million dollars. However, in view of the fact that compensation ceilings are set by the *Act respecting market intermediaries*, a total amount of $240,000 was set aside for these 41 cases.
- The Compensation Fund received its six first claims involving frauds committed after October 1, 1999. The insurance of persons sector remains the fund that was the object of the greatest number of claims. The Compensation Fund also received its first claims involving the securities sector.

ASSETS MANAGEMENT

In addition to the claims study process, the various exchanges of the board of directors focussed on the management of the assets. The Compensation Fund thus examined the funding methods of its various assets and gave an actuarial firm the mandate to carry out the analysis. To meet the reality as regards compensation of the cases relative to insurance of persons, it was decided that the claims involving the FIAP would be funded at 60% of the amount claimed. This decision, made in accordance with the recommendation of the firm, was effective from February 2000.

Although the FIAP must settle a great number of claims, it may not benefit from the surpluses that the FISF and the FIAD have at their disposal. Indeed, for the time being, it is impossible to transfer sums from one fund to another. To collect the sums required for the payment of the claims that involve the FIAP, the Compensation Fund will therefore have to resort to the mechanism provided for by the Act, that is, impose a special contribution on representatives in insurance of persons.

However, the members chose to charge this contribution beginning only from January 2002. In this way, the Compensation Fund will be able to meet its liabilities until 2004, the year in which the Act provides that the Government may authorize the Compensation Fund to integrate the remainder of the amounts from the separate funds into its assets.

RESERVE FOR COMPENSATION FOR YEAR 2000

	FISF	FIAP	FIAD
	$	$	$
Claims			
Amounts claimed likely to be paid	52,479	879,034	74,325
Unreported fraud that occurred*	1,462,299	331,802	3,454
Total reserve for compensation (actuarial report)	1,514,778	1,210,836	77,779

* Including margins for unfavourable variances and actuarial percentages such as the realization factor, etc.

More specifically, the assets of the FISF had to be kept at a minimum of $800,000, and this amount was reached during year 2000. However, it appeared advisable to take out as early as year 2000 surplus insurance, as the costs relative to such insurance are minimal for contributors. If the sums were to decrease under the minimum threshold of $800,000, this insurance would make it possible to maintain the level, regardless of fluctuations in the claims, and without any increase in contributions.

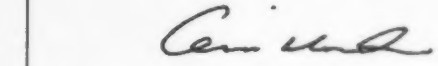
Finally, in order to ensure the sound management of the assets that make up these funds, the Compensation Fund took subrogation recourses in order to recover from the representatives and other individuals responsible the sums refunded to the victims. The Compensation Fund thus wishes to exercise its full power in matters of compensation and consumer protection within the means at its disposal.

ORIENTATIONS FOR 2001

We will begin the XXI[st] century with the commitment to remain stringent in our management and to continue to perfect our analysis of the claims in order to ensure the satisfaction of our privileged clienteles: consumers and contributors.

Although it started in 2000, we will continue our reflection on the basis of the new trends that have emerged in our industry. We will evaluate in particular the impact of increased accountability of firms as regards the acts performed by their representatives or employees. It should also be noted that the study of the claims is more and more complicated, especially because of their multidisciplinary nature.

I wish to thank all of my collaborators, whether members of the board of directors or of the office staff, for the outstanding work they performed during this first full year of activities. The pursuit of our objectives depends largely on the dedication and the energy expended by everyone. I am convinced that year 2001 will again attest to this.



Gilbert Lalonde, A.V.A
President
Financial Security Advisor
Group Savings Plan Representative

REPORT OF THE ACTIVITIES OF THE FONDS D'INDEMNISATION DES SERVICES FINANCIERS - 2000

LEGEND:

FIAP : Fonds d'indemnisation en assurance de personnes

FIAD : Fonds d'indemnisation en assurance de dommages

FISF : Fonds d'indemnisation des services financiers

GENERAL NOTE

The FIPF fund (Fund of the "orphan" financial planners of the IGIF) has not been the object of any claim since it was created. Therefore, we do not have any data concerning this fund in this document.

DATA FROM JANUARY 1ST TO 31 DECEMBER 31, 2000

Number of files under FISF management	Total amount claimed	Total amount involving the "FIAP" assets[1]	Total amount involving the "FIAD" assets[2]	Total amount involving the "FISF" assets[3]
	$	$	$	$
148	1,348,783.41	1,154,605.47	141,699.12	52,478.82

1. Overall claims analysed during year 2000 and that involved fraud committed by market intermediaries in insurance of persons before the *Act respecting the distribution of financial products and services* came into force. Claims under management include those **forwarded** to the Fonds d'indemnisation des services financiers on October 1, 1999, by the FIAP and the FIAD as well as claims **opened** at the Fonds d'indemnisation des services financiers between October 1, 1999, and December 31, 2000.

2. Overall claims analysed during year 2000 and that involved fraud committed by market intermediaries in damage insurance before the *Act respecting the distribution of financial products and services* came into force. Claims under management include those **forwarded** to the Fonds d'indemnisation des services financiers as of October 1, 1999, by the FIAD and those **opened** between October 1, 1999, and December 31, 2000, by the FISF.

3. Overall claims analysed during year 2000 involving fraud committed after October 1, 1999, date on which the *Act respecting the distribution of financial products and services* came into force.

REPORT ON CLAIMS ANALYSIS AS OF DECEMBER 31, 2000

	Files opened by the FIAP before October 1, 1999	Files opened by the FIAD before October 1, 1999	Files opened by the FISF in 1999			Files opened by the FISF in 2000		
	$	$	FIAP $	FIAD $	FISF $	FIAP $	FIAD $	FISF $
Number of files analysed by the FISF[1]	10	9	5	1	0	36	1	0
Number of claims accepted	9	8	5	0	0	19	0	0
Amounts paid	99,794.77	48,273.76	130,269.61	0	0	158,806.19	0	0
Number of cases refused or closed [2]	1	1	0	1	0	17	1	0
Amounts refused	7,260.08	13,724.81[3]	150	25,000	0	157,152.83	1,200	0
Number of files under study as of December 31, 2000[4]	0	0	1	4	0	67	1	6
Balance of claims under study	0	0	24,000	49,324.69	0	621,612.37	25,000	52,478.82

1 Claims that were the object of a decision by the Compensation Fund between January 1 and December 31, 2000

2 Claims that were refused by a final decision of the Compensation Fund, regardless of the reason, as well as claims settled between the parties before a ruling was made by the Compensation Fund

3 This amount was redistributed to the other claimants

4 Claims under study on the date of the report for the fiscal year

Auditors' Report

To the National Assembly

We have audited the balance sheet of the **Fonds d'indemnisation des services financiers** as at December 31, 2000 and the statements of revenue and expenditures and the evolution of the balance of the Compensation Fund for the period ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Compensation Fund as at December 31, 2000, and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles in Canada.

Samson Bélair
Deloitte & Touche

Chartered Accountants

February 23, 2001

M121

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Statement of Revenue and Expenditures

For the period ended December 31, 2000

	Fonds d'indemnisation des services financiers	Fonds d'indemnisation en assurance de personnes	Fonds d'indemnisation en assurance de dommages	Fonds d'indemnisation des planificateurs financiers	2000 Total	1999 Total
	$	$	$	$	$	$
REVENUE						
PRODUITS						
Contributions (note 8)	2,931,804	-	-	-	**2,931,804**	392,096
Interest	70,510	11,800	60,411	1,658	**144,379**	17,622
Subrogation revenue	-	-	-	-	**-**	50
	3,002,314	11,800	60,411	1,658	**3,076,183**	409,768
EXPENDITURES						
Compensations	1,514,778	643,968	(47,983)	-	**2,110,763**	754,402
Directors' fees	33,301	(376)	-	-	**32,925**	20,700
Living expenses	7,708	-	-	-	**7,708**	2,741
Travel expenses	5,389	-	-	-	**5,389**	2,834
Management fees	151,830	-	-	-	**151,830**	20,879
Occupancy fees	9,161	-	-	-	**9,161**	1,613
Professional fees	29,368	15,815	139	-	**46,322**	25,843
Rental of premises	132	-	-	-	**132**	150
Advertising	124	-	-	-	**124**	351
Stationery	1,985	-	-	-	**1,985**	2,075
Insurance	8,566	-	1,812	-	**10,378**	453
Office supplies	3,230	-	-	-	**3,230**	24
Mail and courier services	588	-	-	-	**588**	22
Bank charges	904	77	7	-	**988**	3
Training	38	-	-	-	**38**	-
	1,767,102	660,484	(46,025)	-	**2,381,561**	832,090
SURPLUS REVENUE (EXPENDITURES)	1,235,212	(648,684)	106,436	1,658	**694,622**	(422,322)

Statement of Revenue and Expenditures

For the period ended December 31, 2000

	Fonds d'indemnisation des services financiers	Fonds d'indemnisation en assurance de personnes	Fonds d'indemnisation en assurance de dommages	Fonds d'indemnisation des planificateurs financiers	2000 Total	1999 Total
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